82d Congress, 2d Session - - - - House Document No. 82-570, Vol. VII

# Foreign Relations
# of the
# United States
# 1951

## Volume VII

## Korea
## and China

(in two parts)
Part 2

DEPARTMENT OF STATE
UNITED STATES OF AMERICA

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United States
Government Printing Office
Washington : 1983

H 920-4

DEPARTMENT OF STATE PUBLICATION 9271

OFFICE OF THE HISTORIAN
BUREAU OF PUBLIC AFFAIRS

For sale by the
U.S. Government Book Store
Department of State
Washington, D.C. 20520

# PREFACE

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Until his retirement in 1979, Deputy Historian Fredrick Aandahl directed the entire *Foreign Relations* project, including the preparation of this volume. John P. Glennon supervised the process of review, declassification, and final editing.

The section on Korea was compiled by Mr. Glennon, the section on policy with regard to China by Harriet D. Schwar, and that on trade restrictions and economic sanctions against China and North Korea by Paul Claussen. Technical editing was performed by Margie R. Wilber and by Joann G. Alba, under Mrs. Wilber's supervision, in the Publishing Services Division (Paul M. Washington, Chief). Anne K. Pond prepared the index.

William Z. Slany
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# LIST OF ABBREVIATIONS

Editor's Note.—This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and those abbreviations and contractions which, although uncommon, are understandable from the context.

AA, anti-aircraft
AC of S, Acting Chief of Staff
Actel, series indicator for telegrams from Secretary of State Acheson while away from Washington
AFP, *Agence France Presse*
ALUSNA, United States Naval Attaché
AMC, Additional Measures Committee (United Nations); *see* CAM
AP, Associated Press
ASAP, as soon as possible
BJSM, British Joint Services Mission
bn, battalion
BNA, Office of British Commonwealth and Northern European Affairs, Department of State
C of S, Chief of Staff
CA, Office of Chinese Affairs, Department of State
CAF, Chinese Air Force
Caltex, California Texas Oil Company, Limited
CAM, Committee on Additional Measures (or Additional Measures Committee), *ad hoc* Committee of the United Nations Collective Measures Committee, established to consider sanctions against the People's Republic of China
CC, Central Committee
CC, Chinese Communist
CCAF, Chinese Communist Air Force
CCF, Chinese Communist Forces
CCP, Chinese Communist Party
CFM, Council of Foreign Ministers
CG, Commanding General
CG 13 AF, Commanding General, Thirteenth Air Force
CGEUSAK, Commanding General, Eighth United States Army in Korea
CGUNCACK, Commanding General, United Nations Civil Assistance Command in Korea
Chicom, Chinese Communist
CIA, Central Intelligence Agency
CIC, Counter Intelligence Corps
CINC, Commander in Chief
CINCFE, Commander in Chief, Far East
CINCPAC, Commander in Chief, Pacific
CINCUNC, Commander in Chief, United Nations Command
CMC, Collective Measures Committee, United Nations
CNA, Chinese Nationalist Army
CO, Commanding Officer
COB, close of business
COCOM, Coordinating Committee of the Paris Consultative Group of nations working to control export of strategic goods to Communist countries
COM 7TH FLT, Commander, Seventh Fleet
COMNAVFE, Commander, United States Naval Forces in the Far East
COMNAVPHIL, Commander, United States Naval Forces in the Philippines
CP, counterpart
CPG, Central People's Government (People's Republic of China); Chinese People's Government
CPR, Chinese People's Republic
CRIK, Civil Relief in Korea
CRO, Commonwealth Relations Office (British)
CSA (CSUSA), Chief of Staff, United States Army

**CV**, aircraft carrier
**DA**, Department of the Army
**Delga**, series indicator for telegrams from the United States Delegation at the United Nations General Assembly
**Depcirtel**, Department of State circular telegram
**Deptel**, Department of State telegram
**DL**, Dalai Lama
**E**, Office of the Assistant Secretary of State for Economic Affairs
**E/VFA**, Adviser on Voluntary Foreign Aid, Office of the Assistant Secretary of State for Economic Affairs
**ECA**, Economic Cooperation Administration
**ECA/W**, headquarters of the Economic Cooperation Administration in Washington
**Ecato**, series indicator for telegrams from the Economic Cooperation Administration in Washington to its missions abroad
**ECOSOC**, Economic and Social Council of the United Nations
**EE**, Office of Eastern European Affairs, Department of State
**Embdes**, Embassy despatch
**EmbOff**, Embassy officer
**Embtel**, Embassy telegram
**en**, enemy
**ESB**, Economic Stabilization Board (Republic of China)
**ESC**, Joint Korean-American Economic Stabilization Committee
**ETD**, estimated time of departure
**EUR**, Bureau of European Affairs, Department of State
**EUSAK**, Eighth United States Army in Korea
**Excon**, designation for telegrams dealing with the export control program; export control
**FE**, Bureau of Far Eastern Affairs, Department of State
**FEAF**, Far East Air Forces
**FEC (FECOM)**, Far East Command
**FonMin**, Foreign Minister
**FonOff**, Foreign Office
**FP**, Division of Foreign Service Personnel, Department of State
**FY**, fiscal year
**FYI**, for your information
**G**, Deputy Under Secretary of State
**G–2**, Army general staff section dealing with intelligence at the divisional or higher level
**G–3**, Army general staff section dealing with operations and training at the divisional or higher level
**G–4**, Army general staff section dealing with supply at the divisional or higher level
**GA**, General Assembly of the United Nations
**Gadel**, series indicator for telegrams to the United States Delegation at the United Nations General Assembly
**GADel**, United States Delegation at the United Nations General Assembly
**GARIOA**, Government and Relief in Occupied Areas
**GHQ**, General Headquarters
**GOC**, Good Offices Committee (United Nations)
**GOC**, Government of Ceylon
**GOI**, Government of India
**HICOM**, High Commissioner
**HMG**, His Majesty's Government
**I**, interior, i.e., local, time
**IAC**, Intelligence Advisory Committee
**IC**, Indochina
**ICRC**, International Committee of the Red Cross
**IntSum**, Intelligence Summary
**IRC**, International Red Cross
**IRO**, International Refugee Organization
**ISAC**, International Security Affairs Committee
**JA**, Judge Advocate
**JAS**, Joint Administrative Services
**JCRR**, Joint (United States-Chinese) Commission on Rural Rehabilitation (Taiwan)
**JCS**, Joint Chiefs of Staff
**JSPOG**, Joint Strategic Plans and Operations Group
**J.S.S.C.**, Joint Strategic Survey Committee
**JUSMAG**, Joint United States Military Advisory Group
**K**, Korean time
**KIA**, killed in action

KMAG, United States Military Advisory Group to the Republic of Korea
KMT, Kuomintang (Nationalist Party), Republic of China
KPDR, Korean People's Democratic Republic
LA, Latin America
ln, liaison
LST, landing ship, tank
LVT, landing vehicle tracked
MAAG, Military Assistance Advisory Group
MAC, Military Armistice Commission
MDA, Mutual Defense Assistance
MDAP, Mutual Defense Assistance Program
MEA, Ministry of External Affairs
MIA, missing in action
MND, Ministry of National Defense, Republic of China
MSA, Mutual Security Agency
NA, Office of Northeast Asian Affairs, Department of State
NAS, Naval Air Station
NATO, North Atlantic Treaty Organization
NAVFE, Naval Forces, Far East
NCNA, New China News Agency, People's Republic of China
NE, Office of Near Eastern Affairs, Department of State
NEA, Bureau of Near Eastern, South Asian, and African Affairs, Department of State
NGRC, National Government of the Republic of China
niact, night action, communications indicator requiring attention by the recipient at any hour of the day or night
NIE, National Intelligence Estimate
NK, North Korea
NKA, North Korean Army
NKAF, North Korean Air Force
NKPA, North Korean People's Army
NKVD, Soviet secret police
NSC, National Security Council
NSRB, National Security Resources Board
NT, New Taiwan (Republic of China currency)
OFLC, Office of the Foreign Liquidation Commissioner, Department of State
OIR, Office of Intelligence Research, Department of State
OIT, Office of International Trade, Department of Commerce
ONI, Office of Naval Intelligence, Department of the Navy
OOA, Office of Occupied Areas, Department of the Army
OPC, Office of Policy Coordination, Central Intelligence Agency
OPI, Office of Public Information, Republic of Korea
OPLR, Outpost Line of Resistance
OSS, Office of Strategic Services
PA, procurement authorization
PI, Philippine Islands
P.L., Public Law
POC, Peace Observation Commission
POL, petroleum, oil, and lubricants
PolAd, Political Adviser
POW, prisoner of war
PRC, People's Republic of China
PriMin, Prime Minister
PTI, Press Trust of India (Reuters)
PW, prisoner of war
R Office of the Special Assistant for Intelligence, Department of State
RA, Office of European Regional Affairs, Department of State
reftel, reference telegram
ROK, Republic of Korea
S/A, Ambassador at Large, Department of State
S/ISA, Office of International Security Affairs, Department of State
S/S, Executive Secretariat, Department of State
SAC, Strategic Air Command
SC, Security Council of the United Nations
SCAP, Supreme Commander for the Allied Powers in Japan
SE, Special Estimate
SEA, Southeast Asia
SEAC, Southeast Asia Aid Policy Committee
SGS, Secretary of the General Staff
SigO, Signal Officer
SOA, Office of South Asian Affairs, Department of State
Stanvac, Standard Vacuum Oil Company
STEM, United States Special Technical and Economic Mission

**SYG**, Secretary-General

**T/O and E**, Table of Organization and Equipment

**TCC**, Temporary Council Committee, NATO

**telecon**, telecommunication conference

**TIAS**, Treaties and Other International Acts Series

**Toeca**, series indicator for telegrams to the Economic Cooperation Administration in Washington from its missions abroad

**Toisa**, designation for telegrams dealing with matters within the responsibility of the Director, International Security Affairs, Department of State

**Topad**, designation for telegraphic correspondence in either direction between the United States Political Adviser to SCAP and the Department of State

**Tosec**, series indicator for telegrams from the Department of State to the Secretary of State or his Delegation in connection with conferences of Foreign Ministers

**TS**, top secret

**TT**, *Tidningarnas Telegrambyrå*, Swedish Central News Agency

**UC**, Unified Command

**UKG**, United Kingdom Government

**UKHC**, United Kingdom High Commissioner

**UKUN**, United Kingdom Mission at the United Nations

**UNA**, Bureau of United Nations Affairs, Department of State

**UNAMC**, United Nations Additional Measures Committee

**UNC**, United Nations Command

**UNCACK**, United Nations Civil Assistance Command, Korea

**UNCOK**, United Nations Commission on Korea

**UNCURK**, United Nations Commission for the Unification and Rehabilitation of Korea

**UNE**, Office of United Nations Economic and Social Affairs, Department of State

**UNKRA**, United Nations Korean Reconstruction Agency

**Unmis**, series indicator for telegrams from the United States Mission at the United Nations

**UNO**, United Nations Organization

**UNP**, Office of United Nations Political and Security Affairs, Department of State

**UNRRA**, United Nations Relief and Rehabilitation Administration

**urtel**, your telegram

**USARMA**, United States Army Attaché

**USDel**, United States Delegation

**USIE**, United States Information and Educational Exchange Program

**USPolAd**, United States Political Adviser

**UST**, *United States Treaties and Other International Agreements*

**Usun**, series indicator for telegrams from the United States Mission at the United Nations to the Department of State

**USUN**, United States Mission at the United Nations

**USUNNY**, United States Mission at the United Nations, New York

**WAC**, Women's Army Corps

**WE**, Office of Western European Affairs, Department of State

**Z**, Greenwich Mean Time

**ZI**, Zone of the Interior

# THE CHINA AREA

## UNITED STATES POLICY WITH REGARD TO THE PEOPLE'S REPUBLIC OF CHINA; UNITED STATES RELATIONS WITH THE REPUBLIC OF CHINA; UNITED STATES MILITARY AND ECONOMIC AID TO THE REPUBLIC OF CHINA; UNITED STATES POLICY WITH REGARD TO THE DISPOSITION OF FORMOSA; UNITED STATES CONCERN WITH DEVELOPMENTS IN TIBET; DIPLOMATIC EFFORTS TO ASSIST U.S. NATIONALS IMPRISONED IN THE PEOPLE'S REPUBLIC OF CHINA[1]

794A.5/1-351

### *Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Marshall)*[2]

TOP SECRET WASHINGTON, 2 January 1951.

Subject: Strategic Importance of Formosa.

1. In accordance with the request contained in your memorandum, dated 20 December 1950,[3] the Joint Chiefs of Staff have reviewed their previous estimates of the strategic importance of Formosa. In that regard it should be noted that prior to the outbreak of the Korean war, the Joint Chiefs of Staff position with respect to Formosa was that, although the island is strategically important to the United States, its importance did not justify overt military action.

2. The North Koreans invaded South Korea on 25 June 1950 and on 27 June 1950 the President of the United States directed the Commander-in-Chief, Far East, to repel any attack upon Formosa and the Pescadores and to stop attacks from Formosa upon the mainland.[4] This directive is still in effect.

3. On 20 November 1950, the Joint Chiefs of Staff informed you

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[1] For previous documentation on this subject, see *Foreign Relations*, 1950, vol. VI, pp. 256 ff. For documentation concerning the question of Chinese representation in the United Nations, see vol. II, pp. 209 ff. For documentation concerning the question of Chinese participation in the Japanese Peace Treaty and U.S. interest in the conclusion of a treaty between Japan and the Republic of China, see vol. VI, Part 1, pp. 777 ff.

[2] Secretary Marshall sent the memorandum to Secretary of State Acheson with a covering letter, dated January 3, not printed, stating that the Joint Chiefs of Staff had reviewed the strategic importance of Formosa in the light of the current situation in the Far East and in response to the questions in Acheson's letter of December 4, 1950; for the text of the latter, see *Foreign Relations*, 1950, vol. VI, p. 587.

[3] Not printed.

[4] See the memorandum of conversation by Ambassador at Large Philip C. Jessup, June 26, 1950, and President Truman's statement of June 27, 1950, *Foreign Relations*, 1950, vol. VII, pp. 178 and 202.

by memorandum [5] that in their opinion the military neutralization of Formosa would not meet United States military strategic needs since it would:

*a.* Considerably improve the Communists' strategic position and release some of their defense forces for build-up elsewhere; and

*b.* Substantially reduce our own strategic position in the area and would restrict freedom of action in the event the military situation requires that an armed attack against the Chinese Communists on the mainland be mounted.

4. The Joint Chiefs of Staff, in light of the undeclared war with Communist China, would like to reaffirm and amplify their position, as expressed on 20 November: The United States must retain complete freedom of action with respect to Formosa to the end that that island may be used by the United States or the Chinese Nationalists as a base for the conduct of offensive operations, including possible guerrilla action, against the Chinese mainland if such is required. Moreover, it must be recognized that Formosa is geographically a portion of the off-shore island chain and would be essential in the conduct of air and naval operations in the strategic defense of our off-shore island chain.

5. The Joint Chiefs of Staff would answer the specific questions posed by the Secretary of State in his memorandum to you, dated 4 December 1950, as follows:

*a. Question:* Would denial of Formosa as a base to the Chinese Communists meet the military strategic needs of the United States, insofar as these needs can be foreseen? If not, what are the additional United States strategic needs respecting the island?

*Answer:* The Joint Chiefs of Staff have no present intention of basing any United States forces on Formosa except as may become necessary to comply with the President's directive of 27 June 1950. However, if a full scale war should develop against Communist China, or against the USSR with Communist China as a Soviet ally, it would be desirable to have port facilities and airfields on Formosa available to the United States.

We do not envisage an invasion of China by United States Troops even in the event of a full scale war. However, the Nationalist forces on Formosa constitute the only visible source of manpower for extensive guerrilla operations in China and a possible invasion of the mainland. Hence, until a solution is found for our major differences with Communist China, we should continue to safeguard Formosa.

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[5] Not printed, but see Acting Secretary of Defense Robert Lovett's letter to Acheson, November 24, 1950, *Foreign Relations*, 1950, vol. VI, p. 579.

*b. Question:* If these military needs cannot be met through diplomatic and economic measures, should the United States accept a commitment of its armed forces to insure that they are met?

*Answer:* The United States should be prepared, if its military needs on Formosa cannot be met through diplomatic and economic measures, to expand its employment of naval and air forces to safeguard Formosa. This would insure that the United States retains freedom of action for the utilization of Formosa as a base of operations for the Chinese Nationalist forces, as well as for possible future use of our own military forces. However no binding commitment should be made, since such a commitment might hamper sound military decisions in the future.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*
*Joint Chiefs of Staff*

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S/P Files: Lot 64 D 563

## *Memorandum of Conversation, Prepared in the Department of State*[1]

TOP SECRET

JANUARY 6 and 7, 1951.
JANUARY 12 and 13, 1951.

Participants: Between the individuals as described below.

Names are withheld in the reporting of these conversations. First Party is connected with the Department of State. Second Party is an intermediary. Third Party is a Chinese national identified with non-communist elements of the Peiping régime.[2]

It was agreed at the outset that the purpose of the conversations was threefold: First, to get over to Third Party, for communication to sympathetic elements in the Peiping régime, the true attitude of the United States toward China; second, to get such information as to the internal situation on the Chinese mainland as Third Party was able to give and as might be useful to the United States; third, to get Third Party's advice as to the conduct of United States policy to forward a schism between China and the Kremlin.

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[1] This is the first of a series of unsigned memoranda, most or all of which were written by Charles Burton Marshall of the Policy Planning Staff. According to notations on the source texts, five copies (in a few cases, six copies) were made of each memorandum. One copy of each was sent to Deputy Under Secretary of State H. Freeman Matthews; the other copies were distributed by Kenneth C. Krentz of the Policy Planning Staff, but there is no indication of their distribution. The memoranda are filed in a folder labeled "China 1951 (CBM Hong Kong Report)" in S/P Files: Lot 64 D 563; a few related memoranda are filed in the C. B. Marshall chronological file in the same lot file.

[2] Charles Burton Marshall was First Party in most of the conversations in this series. John Paton Davies of the Policy Planning Staff was First Party in a small portion of them; see Marshall's memorandum of conversation with Brigadier General Roberts, January 30, p. 1533. Mr. Marshall stated in an interview on May 13, 1974, that Second Party was an American. The conversations began at the initiative of Third Party, who had contacted Second Party, who had contacted the State Department. The interview with Marshall is recorded in a memorandum of conversation, May 17, 1974 (611.93/1–651).

It was agreed also that First Party's identity should not be disclosed to Third Party but that he should be described as someone close to the center and knowledgeable about United States foreign policy.

First Party emphasized the need to make clear to Third Party that he was not speaking as someone able to commit the United States Government in any way. First Party emphasized that no one could commit this government to a particular response to a hypothetical development. He added that from the general nature of United States policy and from the particular implications of the United States position, however, it was possible to draw certain conclusions that would probably stand up under the test of future events.

First Party then proceeded with a presentation of United States policy along the following lines:

The present crisis in world relations stems from a long historic development. In the past four or five centuries two general developments have been taking place.

The first began with the expansion westward out of Western Europe. That expansion included within its scope Africa, the two Americas, the southern and in part the eastern fringes of Asia, and in part the Middle East. Its course has been uneven but generally in the following sequence: discovery, exploration, conquest, colonization, development, independence, and cooperation. Its imperialist phases are as well known to the American consciousness as to that of Oriental peoples. The tradition of freedom and cooperation among nations represented by the side of the issue for which the United States stands has been admittedly uneven. Yet the fact is that the United States and its Western Allies today are not exponents of imperialism and exploitation. The record of the past decade certainly verifies this. In seeking liberation from western imperialism the Oriental peoples are contending against something that isn't there any more.

The other great development began roughly 350 years ago. It is the expansion from eastern Europe. It has produced the great span of Russian power in the present world. The cardinal fact of the eastern expansion has been that the Russians have not developed any mode for the conduct of affairs except that of domination. The westward movement did evolve through a difficult course toward freedom and equality. The eastward expansion has never done so.

In the present phase the characteristics of the eastward expansion are vastly aggravated by the circumstance that Russia is now in the vise of a small group of limitless ambition, ruthlessness, and an ideology that brooks no rival system of thought. The Soviet system represents imperialism. It is out for conquest and subordination of other peoples. It is armed with an imperialist ideology. Its ideas devour all other ideas just as its power system absorbs and subordinates other peoples. The subtle danger of the combination of Russian power and the communist idea is that it enables the Russians to perpetrate conquest by dissimulation. Imperialism is carried on in the name of liberation. Tyranny is carried on for the ostensible sake of its actual victims.

As a result of historical developments, climaxed in two great wars, the Soviet Union [3] and the United States have emerged as the leaders of two groups of nations. Power has become polarized between them. The ideas represented by the two systems make reconciliation impossible.

The Soviet system aims at the subjugation of every other idea, every other people, every other culture. Obviously its primary enemy is the United States. This does not mean that the United States is necessarily next in the order of attack. It is certainly highest in the order of importance because it is the greatest power unit ranged against the Soviet Union. We identify the Soviet Union as our mortal enemy. To us that is the most important consideration in the world picture. The hostile intention of the Soviet Union toward us and toward all other peoples gives us something in common with all other peoples and nations and governments which are the targets of Soviet conquest. All such peoples should be on our side in the struggle. If the inherent identity of interest were made clear, all peoples would be. The trouble is that the true issues are obscured by shibboleths and false issues.

This leads to the tragic aspect of the China situation. The Chinese under Peiping are being inveigled into supporting the side which is against their own interests. It is manifest that a world victory for the Kremlin, whether through world war or through conquest without world war, would produce a situation in which Chinese freedom would vanish. China would be tied to the Kremlin chariot. Yet the Chinese seem to be missing this point in their preoccupation with secondary and obsolete issues.

The common interests vis-à-vis the Kremlin of all peoples seeking to maintain their independence should be paramount over every other consideration. The United States would like to make it so. To our view, a basis of accommodation can be found with any other nation which is acting only in its own interest. On the other hand, there is no basis of accommodation between the United States and a government which serves not its own interests but the interest of our mortal enemy. The crux of the question is whether Peiping looks at things through Moscow's eyes. This is not a question of the attitude of those in the Peiping régime who are not themselves minions of Moscow. It is a question of the motives of those who are in the determining positions of Peiping.

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[3] For documentation on U.S. policy with regard to the Soviet Union, see volume IV.

The touchstone is Korea. The United States sent forces into Korea in keeping with the ideas of the United Nations Charter. These ideas stand in complete contrast to the Kremlin's purpose of subjugating other peoples. They were put to test by a clear case of the movement of forces across a boundary. Had the United States, which had forces near at hand, not sought to thwart the aggression, the idea of nations standing together against the power which seeks to subjugate them would have been made a mockery. The United States' action—the UN action, that is—was in the interest of all peoples who wish to be independent. Our action was not aimed at the independence of Korea. We coveted no territory there. We had withdrawn from it. We were perfectly sincere in saying it was beyond our strategic concern. Not direct strategic interest but our interest in upholding the idea which our enemy would destroy—the independence of nations—drew us back into Korea. Our intention was to repel the aggression, establish a sound basis for Korean independence, and then get out. In this we would have succeeded, except for outside intervention. That means Peiping intervention.

That intervention has brought great dismay to the American people. In our view, the right of peoples in the Far East to live independently of the threat of outside aggression is in the interest of China—not just of the Republic of Korea alone. Yet Chinese forces have moved in against our forces. The Peiping régime has set itself up to defeat the idea of collective security. It has taken hostile action against United States forces and other U.N. forces. It has set itself athwart the purposes of the UN. It has precipitated a situation all too likely to lead to a tragic war between the Chinese and ourselves.

The Peiping action certainly was not dictated by any interest of the Chinese people. It was in the interest of only one power—not China, but Russia. It is obviously only in the interest of Russia that the United States and China should go into war. For the immediate contenders such war could only be tragic.

The United States has desisted from countering against the Chinese mainland in the realization that Moscow alone would be served by such a war. This restraint has not been pleasant for Americans. If we followed the dictates of our emotions we would take naval and air action against the Chinese on the mainland. We would lay waste their cities and destroy their industries. We would let the Chinese people know the terrible potential consequences of the irresponsible actions taken by the men in power in their government. Reason alone dictates this restraint. We deny ourselves the retribution because our reason tells us that the Chinese are the unwitting and deceived victims of Moscow, that carrying the war into China would only deflect us from the real villain, our primary enemy, Moscow. We are actuated also by the hope that something may occur to bring China to its senses so that it will cease to serve the interests of conspiracy that is aimed against Chinese independence just as much as ours—and in the present situation more imminently so.

If war comes, and China is still acting in Moscow's interest, China could certainly count on no immunity from our wrath. Our survival would be at stake. We would have to use our power against all those who use theirs against us. The consequences for China would be terrible, of course. We would undertake the course with great regret that blindness in Peiping had led to a tragedy for a people with whom we have had a traditional friendship. But such regrets would not inhibit our action. We would view the situation from the standpoint of cold necessity.

Second Party raised a point which Third Party had told him entered into the thinking of those dominant in Peiping. It was this: the United States now has its hands full in its preoccupation with the danger from the Soviet Union itself. In war the United States would be fully occupied with Russia. This circumstance would provide Peiping with impunity.

First Party said the United States Government believed it would win the war, if one should eventuate. The ordeal would be great. Both sides would suffer terrible wounds. But the United States would emerge victor. It could not be counted on to forget old scores under the moderating effect of victory. It would, to the contrary, settle all unbalanced accounts. If the Chinese themselves had not settled the account with respect to Korea, the United States certainly would then. It is better that the Chinese settle the score themselves. Certainly there is an account to be settled between a people and its leaders who forced them into enormous dangers in the interest of another power. This was done recklessly and deceptively and in total disregard of the interests of the Chinese. It is better that the Chinese settle that account while there is still time for the settlement to be effective in deterring a war.

First Party commented that the immediate future of the issue regarding Korea was unclear. We had operated in Korea under the UN aegis. Now it was becoming apparent that the UN had great trepidation about drawing the issue with the Chinese. What would the United States do? It might clear its accounts for the time being under the premise that the whole action was a UN action and that the United States would conform to the limits allowable under UN endorsement. It might cut loose from the UN aegis. After all, the bulk of the attrition suffered had been on the part of Americans on the UN side (Koreans excepted). Our Army was the one that got jumped. Other nations had committed only small fractions. For the time being the first course might be followed out of expediency. But the Chinese should not assume that the debt would be wiped off that way.

The discussion then went on to the Formosa problem.

First Party said that the Cairo declaration [4] was still valid. In our view the island should go to China eventually. Certainly we did not claim it for ourselves and would not do so. Our interposition of the 7th fleet in the channel there was motivated by one consideration only. We did not wish the position to be used against us. Our action in Korea made this necessary. As one of the victor powers we have residual rights there until a Japanese peace treaty has been made. The Cairo declaration manifested our intention. It did not itself constitute a cession of territory. We had been compelled to act because of our fear of a stab in the back from Peiping. We would be willing to see the island go to any Chinese régime not likely to use it against us. That brings up the question again: Is the Chinese régime the servant of its people's interests or the servant of Moscow's interests? If the régime is acting only in China's interest, Formosa is a solvable problem. If it is acting in the interest of Moscow—as it certainly appears to be—it would be quixotic in the extreme for the United States to permit the island to go forthwith to Peiping.

It is futile and academic to consider any issues between the United States and the Chinese apart from the main problem of Peiping's intentions. This applied to the question of recognition.

The United States conducts its recognition policy in its own interest as it sees it. Our continued recognition of Chiang Kai-shek's [5] government did not indicate devotion to it or any determination to impose it in authority over the mainland. Those in the United States who speak up vehemently for him are in a distinct minority.

To suspend relations with a relict régime naturally brings into immediate focus the question of dealing with the successor régime. A way of avoiding technically the question of dealing with a new régime is to continue to maintain relations with the relict. We had done this in China. The situation is not particularly to our liking. We would prefer to deal with a responsible government in an effective position. The key word is *responsible.* Is Peiping responsible to the Chinese people or is it actually responsive to Moscow?

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[4] Reference is to the communiqué issued by President Franklin D. Roosevelt, Generalissimo Chiang Kai-shek, and Prime Minister Winston Churchill following their conference at Cairo, November 22–26, 1943. The relevant portion declared that "all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores, shall be restored to the Republic of China." For the text of the communiqué, see *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, pp. 448–449.

[5] Generalissimo Chiang Kai-shek, President of the Republic of China.

Recognition is a way of doing business. It has no usefulness per se. The rub is that you cannot do business with a régime that has lost its power to transact business on its own and serves as a blind for someone else. We had recognized other satellites. The results had not been happy. The idea of being a satellite was antithetic to any concept of autonomy implied in recognition.

In event the Peiping régime were to show a change in attitude or if the power of those in charge of it should be challenged from within, the United States would certainly not be rigid on the matter of recognition or continue to hold its channels to the Chiang Government. A defection of Peiping from Moscow, however accomplished, would certainly be in our interest. Few turns more advantageous to the United States at this juncture could be conceived of. We certainly would not stand in our own light by failing to take advantage of such a situation or by impeding it by blind adherence to some antecedent viewpoint.

The same applies with respect to representation in the UN. Here again the touchstone is Korea. The great obstacle is that the Peiping régime stands before the world as the enemy of the UN. It has challenged the UN in combat. If its position in Korea were cleared up, the question of UN representation would be greatly simplified and altered.

It is well for the Chinese to understand that the difficulty between Peiping and Washington does not derive from the issues. Rather the issues derive from the difficulty. That difficulty is that the men in determining positions in Peiping have put themselves in thrall to the enemies of the United States. To the degree that Peiping has come to serve others it cannot serve its own interests. Its own interests dictate peace and accommodation with the United States. The present situation serves only Moscow's interests. It cannot be eased until the Chinese make the fundamental decision to cut the cords to Moscow.

Second Party took complete notes on the above discourse. At the completion of it he held forth on the information given him by Third Party. He had taken notes thereon and referred to his notes repeatedly. The essence of the information is as set forth below.

The Peiping régime had been established on the basis of a broad appeal to the Chinese. This included nationalism and the greater glory of the national viewpoint. It included the interests of all classes except bureaucratic capitalists and war criminals. These ideas were the bases of a coalition in which the Communists were only one element. The Communists have stayed outwardly within the limits of that coalition. They explain everything in terms of national interest as exemplified in the coalition. They stick to the letter if not the spirit.

Three elements make up the coalition. These are: The Moscow-oriented Communists (Stalinists); China-oriented (native) Communists; and non-Communists. Some individuals were clearly identified either as Stalinists, native Communists, or non-Communists. Others were not clearly identified, tending to shift positions from one juncture to the next. It was becoming increasingly clear within China that a small inner group of the régime was completely tied to Moscow. The tie was becoming more apparent, stronger, and more general.

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For example, Chou En-lai,[6] the Minister of Foreign Affairs and himself not a Stalinist, had not been told of the Angus Ward affair[7] until it was an accomplished fact. Chou had only been told that some action was contemplated in the case of an American who had not properly respected their obligations toward the Government. His assent was *pro-forma* and given without actual consultation on the nature and implications of the problem and the contemplated action. The result had been, of course, to drive a wedge between Peiping and Washington.

Likewise the decision to intervene in Korea had been taken not in consultation with the coalition members but as a move arranged by the inner clique. The deployments which made it possible were carried out without consultation.

In appraising these groups it is well to avoid calling them pro-Russian or pro-American. On the face of it all groups are exclusively pro-Chinese. Outside the Stalinist group all are pro-Chinese. Even those who oppose a pro-Russian policy would not stand for being called pro-American.

Mao Tse-tung[8] has emerged as the most powerful emperor in Chinese history. He has three-fold means of control: the secret police, the party, and the army. What he doesn't catch with one he catches with the others—that is Third Party's way of putting it. His interlocking control is complete and smooth working.

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[6] Chou En-lai was Premier of the Government Administration Council as well as Minister of Foreign Affairs of the People's Republic of China.

[7] For documentation concerning the detention of American Consul General Angus Ward and the staff of the Consulate at Mukden by the Communist authorities, see *Foreign Relations*, 1949, vol. VIII, pp. 933 ff.

[8] Chairman of the Central People's Government Council of the People's Republic of China.

The basis of military power is in four big regional armies. Mao manipulates them. He so deploys them as to keep them divided and to keep the reins in his own hands and away from the army commanders.

The first of these armies is that of Chen I.[9] It is in Shantung. The commander reportedly has refused to go ahead with orders to attack Formosa.

The second is that of Lin Piao.[10] It is in Manchuria and Korea. Its commander is reportedly closer to Moscow than any other army commander.

The third is that of Lin Po-chen.[11] It is deployed for the Tibetan operation.

The fourth is that of Peng Te-huai.[12] This is in the northwest, based in Lanchow. This is Mao's own army, his final reserve. He will fight his last battle with it.

Significance is to be attached to Mao's selection of the army of Lin Piao for the Korean venture. He brought it from Canton for the purpose. He was evidently willing to see this army consumed in Korea. The effect is to build up relatively the position of the other forces. Mao was apparently of a mind to hack down the armies both of Chen and Lin Piao. He also seems anxious to keep intact the force on which he chiefly relies—his army in the northwest.

Mao is much in the Russian camp. All the way? Third Party thinks he may still be appealed to on the basis of his own interest and in terms of national interest. He might still be told it is not in his interest and the Chinese interest to fight the United States and that a war with the United States would be an unnecessary disservice. He might be shown that it would be in the interest of himself and China to get into a position to play off Russia and the United States against each other and in that way be persuaded to cut his Moscow ties. He might be persuaded that eventually he can't lick the Americans and that he and the Chinese will have to pay for their intransigence.

The so-called middle group, the non-Communist element in Peiping, split their party into splinter groups in August, 1949. This was done to deceive the Stalinists that their opposition was disunited. It was done also in the hope of getting a larger share of men in government positions. The middle group has a dual organization and dual leadership. Its splinter elements have an exposed leadership. Behind them is a secret unified organization under the real leadership.

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[9] Ch'en I, or Ch'en Yi, was Mayor of Shanghai and Commander of the Third Field Army and of the East China Military Region, People's Republic of China.

[10] Commander of the Fourth Field Army and of the Central-South Military Region, People's Republic of China.

[11] Liu Po-ch'eng was Commander of the Second Field Army, People's Republic of China.

[12] Commander of the First Field Army and of the Northwest Military Region and Commander of the Chinese People's Volunteers in Korea.

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The third group has two objectives—or rather one objective with two stages. The first is to work within the limits of the Peiping régime to persuade Mao that he can avoid war with the United States and that such a war would be inimical to Chinese interests and disadvantageous to himself. The second would be—in event of failure of the first—to attempt a *coup d'etat.* It would probably eventuate into a long period of chaos. It would be a case of choosing to precipitate incalculable civil violence rather than face the prospect of war with the United States.

The means of persuasion envisaged under the first course is public opinion. It still exists in China despite the monopoly of public channels of information. The middle group hangs together through a set of secret societies. They get information around on a word-of-mouth basis. It is effective. It is more important than the controlled press and controlled radio.

The *coup d'etat* would involve an alliance with the native communists to oust the Stalinists.

The anti-Stalinists are sure that they could get public opinion behind such a move.

They believe Chen can be counted on to cast his lot with them. They have provided him with a nifty concubine and a fine new car to get on the good side of him.

Third Party would like to be able to give assurances back in China to the effect that the United States would not impede a development away from Moscow by continuing to support Chiang and trying to force him into the leadership of any anti-Moscow move. He would also like to be able to give assurances that the Formosa issue could be settled. Finally, he would like to be able to give assurances that the door is not closed to seating the Peiping régime in the UN.

Third Party had in mind some settlement of the Korean business by a simultaneous Chinese and UN withdrawal and the establishment of a UN commission to supervise the establishment of an independent government. The Chinese should be participants in this commission.

Third Party's view was that the Russians had tried to keep the Peiping Chinese out of the UN. This was indicated in the order of the agenda as arranged by Malik.[13]

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[13] Yakov A. Malik, the Soviet Representative on the United Nations Security Council. For documentation concerning the question of Chinese representation in the United Nations in 1950, see *Foreign Relations*, 1950, vol. II, pp. 186 ff.

The anti-Stalinist group would want as to Formosa the withdrawal of the United States fleet and restoration of the *status quo*.

Third Party's view is that an attack on the 7th fleet might be made at any time.

Third Party recognized that the issues were not easy. In a way they would be easier if it should prove impossible to bring Mao around and the dissidents were forced into the attempt at a *coup d'etat*. After a *coup d'etat* Chinese face would be saved by the disavowal of preceding acts and United States face would be saved because it would be dealing not with the perpetrators of such acts but with those who ousted the perpetrators.

The issues would be hard to handle if the course were to be a detachment of Mao from the Moscow line. Mao could be appealed to only on the basis of Chinese interests and aggrandizement.

Third Party wished to be able to carry to China assurances that the United States would not kick them around for being communists even after they may have broken the Moscow tie and begun an independent course. He also wanted to be able to carry back assurances that the United States will see that the Chinese have to see their problems as Chinese problems—that we will not be chivvying them to make declarations and take positions on our side of all the issues.

In commenting on points raised by the information relayed from Third Party, First Party spoke along the following line:

The Chinese could be assured that the United States would take a realistic attitude regarding internal Chinese concerns such as the internal economic policies and type of régime the Chinese may choose to have. Our flexible attitude with respect to the Tito[14] Government in Yugoslavia[15] sufficiently illustrated this. Tito's internal policies were not to our liking. There had been many grave issues between this Government and the Yugoslav Government. Nevertheless when Tito defected from Moscow the United States regarded the fact of Yugoslav's new independence from Moscow as of greater importance than of any issue extant between the two Governments. It could certainly be counted on to regard its relations with China with the same realism. One important point should be made however. Tito demonstrated his independence from Moscow under his own steam. He did so for purely Yugoslav reasons. He did not have to be wheedled into it by concessions made in advance of the action. Nations should not require bargaining and wheedling in order to get them to take positions of independence and self-respect.

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[14] Josip Broz-Tito, Prime Minister of Yugoslavia.

[15] Documentation on U.S. policy with regard to Yugoslavia is included in volume IV.

As for the prospect that the United States would show understanding for the Chinese régime if it should continue to be pro-Chinese and in some degree anti-American after cutting its ties with Moscow, it is to be anticipated that the problems between the two countries would be difficult but not impossible of solution. American public opinion has been aroused against China. There has been great resentment against the Chinese action within the Executive establishment and within the Congress. These things will not die down overnight. They can be expected to be ameliorated with the passage of time and with the display of the spirit of accommodation by the two Governments concerned. It must be emphasized, however, that it is up to the Chinese to do their share of the accommodating. That share must be great. It was the Chinese who attacked American troops—not Americans who attacked the Chinese. It is China rather than the United States which has taken a position of flouting international obligations.

As for the idea that the United States will seek to draw Mao into a position where he will play the United States against the Russians, that is a difficult prospect for the United States. The better attitude for countries to take is one of accommodation and compromise independent of the idea of playing each other against somebody else. The United States has no intentions of playing China against some third country and vice-versa. It should be able to expect an equivalent attitude from China.

First Party said that the essential question was one of timing. If the United States were to take a conciliatory attitude before the Peiping régime had cleared its record the United States would be putting itself in the position of appeasement. The United States would be putting itself in a position to be bilked if the Peiping Government should turn out to be not acting in good faith.

The United States faces grave dangers. For the time being it may be under a disparity of power as compared with its adversary. Nevertheless, the United States is not under compulsion to go, hat in hand, to beg concessions from those who have helped its enemies. Certainly the situation requires that Peiping make the first move as an earnest of its intentions. This did not involve a loss of face. No nation ever loses face by doing the right thing. To the contrary, a solid and recognizable gesture from the Peiping régime would probably be met more than half way by the United States and American public opinion.

Raising a question which did not represent his own point of view, Second Party asked whether it was possible to develop two moves simultaneously—the first the seating of the Peiping delegates in the UN and the second conversations between the United States and Peiping with respect to Formosa.

First Party said again that timing was of the essence. The United States Government also had a public opinion and its own self esteem to consider. The United States had eaten a lot of crow. The American people were already fed up with that article of diet. They would not swallow another huge serving of the same just on the speculative chance that the Peiping régime might follow up with an act of a character such as the Peiping régime should take of its own volition anyway.

First Party insisted that Korea was still the touchstone of the issue. If the Peiping régime is a minion of Moscow it will be impossible to establish a basis of accommodation between Peiping and Washington. If it is not a minion of Moscow then the Peiping régime can demonstrate this by showing a tractable and reasonable attitude on the Korean issue. Time, however, is short. What is hard to understand is why other nations should make overtures to persuade the Peiping régime to demonstrate that it is capable of acting in its own interest.

First Party said that the initial requirement is a recognizable gesture from Peiping that it does not want war with the United States, that it has come to a sense of realities and its responsibilities, and is not acting as a minion of the enemies of the United States. The United States has already made manifest its own intentions. It has not carried the war against the Chinese on the mainland. It has stayed scrupulously within the framework of the UN in its actions in Korea. It has been amenable to any reasonable formula for ending the hostilities. Peiping could very easily manifest an equivalent point of view. The real question is whether it can. Is China still master of its own household? To put it another way, is it not too much to hope that Mao can be brought to a course of reason and of independence from the Moscow line?

Second Party said that, according to Third Party's presentation, the tendency of Peiping would be to discount the United States desire to avoid war with China as a factor in the situation. The more truculent elements in Peiping have been insisting that the United States had been deterred only by fear of an attack on Japan and by fear of possible Russian intervention in event the conflict should be carried to the Chinese mainland.

First Party said that the surmise as given is beside the point. The plain fact is that the United States does not want a war with China and that such a war would be contrary to its interests as well as to Chinese interests and would serve only Moscow. This must be established in the minds of both parties as a condition precedent to any accommodation between the United States and the Peiping régime. First Party said Washington had every reason to discount the likelihood of a Russian interposition in the event of hostilities on the Chinese mainland. Russia would obviously prefer to fight its battles vicariously. The notion of a scrupulous adherence on the part of the Kremlin as to its plighted word to its allies is naive. The satellite countries are not the allies of Russia—they are minions of Russia. Any pledge to them on the part of Russia will be interpreted in the light of Russian expediency. The expedient thing for Russia to do in such a case would be to remain aloof while two of the countries listed as victims of Russia fought a war that was tragic for them and advantageous for Moscow.

First Party requested that Second Party, if opportunity might arise, should make inquiries with Third Party as to the position of the following individuals in the political spectrum:

Fu Tso-yi
Chen Ming-shu
Fang Chueh-hui (Hunan)
Chang Fa-kwei (above all)
Chen Yi
Hsu Chung-shi
Liu Po-ch'ene
Chang Wu-min
Wei Tao-ming
Chen Cho-lin

First Party also asked Second Party to ask Third Party whether Li Tsung-jen [16] has outlived his usefulness and whether Pai Chung-hsi [17] has outlived his usefulness. First Party suggested an inquiry of Third Party as to whether there were any men among the Nationalists on Formosa with whom dissidents on the mainland could work.

First Party asked Second Party to communicate to Third Party that [name deleted] at Hong Kong might serve as a further point of contact. He asked that the following questions be asked of Third Party: How do we get in touch with him if we have a message for him? Does he want us to make other contact points besides [name deleted] and, if so, where?

First Party suggested that above all Second Party should seek Third Party's suggestions as to lines for the United States to pursue in the current situation.

With that, the first stage in the conversation was brought to a close.

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[16] Li Tsung-jen, Vice President of the Republic of China, was living in the United States.

[17] Pai Chung-hsi, former Minister of National Defense, 1946–1948, was Vice Director of the Military Strategy Advisory Committee, Office of the President, Republic of China.

The conversation was resumed the next morning. Second Party reported that he had given Third Party a complete account of the first phase of the conversation. He then took up responses to the specific questions as indicated immediately above.

In Third Party's opinion, Fu Tso-yi [18] can be counted on. He has troops. He is anti-communist. He will aid in appropriate action under appropriate conditions.

Chen Ming-shu [19] is the 19th Route Army commander. He has no troops at present. His name is useful. He can be counted on. He is a strong potential anti-communist element, in Third Party's estimate.

In Third Party's estimate, Fang Chueh-hui is well disposed toward the anti-Russian elements but is not important. He is "small fry". He is a subordinate of General Chen Chi-ien.[20] The latter has command of the troops. Fang Chueh-hui will go as Chen goes.

In Third Party's estimate, Chang Fa-kwei [21] is useless. He is too corrupt. He is thought to be in Hong Kong preoccupied in a feud with someone who is thought to have stolen away his concubine. He has no troops, no prestige and no utility.

Third Party estimates Chen Yi [22] as non-communist but not important.

Third Party has no knowledge and no opinion of Hsu Chung-shi.[23]

As to Liu Po-ch'ene, Third Party says he is one of the big four generals and is now engaged in the operation against Tibet. He is likely to remain attached to Moscow. He is probably not approachable.

Chang Wu-min is not known to Third Party.

Wei Tao-ming [24] is in Third Party's estimate nationalist but without appeal, without a following, without status and without usefulness.

Third Party has no information on Chen Cho-lin.

In Third Party's estimate Li Tsung-jen is a passé figure.

In Third Party's estimate Pai Chung-hsi has no appeal for the middle groups although he does have some following on the mainland.

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[18] Fu Tso-yi, a former Nationalist General, was Minister of Water Conservancy in the People's Republic of China.

[19] Ch'en Ming-shu was a member of the Central People's Government Council, People's Republic of China, and a member of the Standing Committee of the Kuomintang Revolutionary Committee. He had been Commander of the Nineteenth Route Army from 1931 to 1933 and had been relieved of that post after he had led the Fukien Revolt against Chiang Kai-shek.

[20] The reference is apparently to Ch'eng Ch'ien, a former Nationalist general, who was Vice Chairman of the People's Revolutionary Military Council and of the Central-South Military and Administrative Committee, People's Republic of China.

[21] Chang Fa-kwei, a former Nationalist general, was retired and living in Hong Kong.

[22] Evidently not the Ch'en Yi identified in footnote 9 above; the reference is unclear.

[23] Hsü Ch'ung-chih, a former military supporter of Sun Yat-sen and political figure in the Kuomintang, was retired and living in Hong Kong.

[24] Wei Tao-ming, former Chinese Ambassador to the United States, 1942–1946, and Governor of Taiwan, 1947–1949, was living in the United States.

Third Party has no suggestion as to individuals with whom the middle group may be able to work on Formosa. He is not acquainted with the power situation on Formosa.

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Third Party expressed general agreement with the United States position as told the day before by First Party and as relayed to him.

He believed that Mao's neck was probably irretrievably in the Moscow noose. He said that it was the 11th hour and 59th minute. China appeared to be cast in the role of aggressor against the UN. There was no easy way out of the problems brought on by that circumstance.

No one on this side of the Pacific could measure the depth of ignorance of the Stalinist Reds in the Peiping régime. By the logic of their political doctrine no word is believable but that of Moscow. They believe everything from that quarter. They are foreclosed from believing anything else. Moscow had told them war was imminent and that the Chinese were destined to be on the Russian side. The enmity of the United States was such, in the Moscow presentation, as to leave no choice. Third Party had got from [name deleted] . . . the word that he was quite hopeless, that the attitude of the United States seemed to confirm all that the Russians had told them. [Name deleted] had believed that the United States had shut the door completely on Peiping representation in the UN. By this time he would be back in Peiping, spreading gloom among the non-Stalinist elements.

Third Party had emphasized that the Reds really believe what they say about the United States. The Peiping Stalinists really believe that General Marshall double crossed them on the cease-fire deal in his China mission five years ago.[25] They really believed that they could not afford a cease-fire in the Korean situation—that it would result in betrayal of the obligation to keep the *status quo*.

Third Party had said he recognized that the only course was to precipitate a revolt—the only course as an alternative to seeing China tied to the Moscow chariot. The opening gambit would be an attempt to precipitate a showdown and woo the régime away from Moscow, but that would be undertaken with the idea that it would eventuate into civil conflict.

Time is short, in Third Party's view. The Russians have told them war is just ahead, coming sometime this spring. The Russians—the Peiping Stalinists—have emphasized the importance of being on the winning side—of having an honorable position with the victor. This same source emphasizes that the war will be costly, that China will lose much. But they point out that the defeat of the United States will give them a chance to rebuild at United States expense. The United States has plenty to divide up. It will still have it even when the war is over. In the sequel to victory Moscow and its allies will be able to make good their losses and then some.

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[25] For documentation concerning Gen. George C. Marshall's mission to China, 1945–1947, see *Foreign Relations*, 1945, volume VII and 1946, volumes IX and X.

The other courses open to China are neutrality and turning against Russia. Neutrality is dangerous. It involves the danger of unmerciful punishment in event the Russians should win. If the Russians don't win, it involves taking chances with a victorious United States.

First Party here suggested that Second Party should suggest to Third Party that the Chinese should be under no illusions about the idea of playing along on the Russian side during a war and then switching at the last minute. The hare-and-hounds trick has been overworked. The next war is going to be a tough one if and when it comes. The United States will emerge from it victorious but without illusions. It cannot be counted on to make any more Badoglio [26] arrangements.

Second Party continued with the presentation of Third Party's ideas.

Third Party said that if the United States really wanted to play political warfare, the best thing to do was to let the Peiping government be seated in the UN.

In Third Party's view, the Russians are out to kill the UN. They are developing the World Peace Council as a UN for satellites. The existing UN is repugnant to Russia. It reflects ideas and usages of the non-communist tradition.

The United States could put a spoke in the Russians' wheel by letting the Peiping régime send delegates. This would be a way of countering the generous treatment the Russians were giving Mao.

First Party cut in here that the idea of vying with the Russians in being generous toward the people who are helping Russia and fighting us is a tough one to put over with the American public. How would we know that the Peiping régime would not use its place in the UN to help in the sabotage process being pursued by the Russians? Second Party said Third Party had said we would be able to tell the Chinese intentions by the character of the delegation sent. If it contained a large percentage of non-Stalinists this would indicate the intention to use the UN as a point of contact with the West and not as a means of aiding Russia in the sabotage of the UN. First Party commented that this missed the point in that it involved waiting until after the fact to make the determination. The rest of the world would still be in the position of making the first concession, whereas it is the Chinese who are remiss.

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[26] Marshal Pietro Badoglio, Prime Minister of Italy, July 1943–June 1944. For documentation on the armistice concluded by the Allies with Badoglio's government and on the Allies' acceptance of Italy as a co-belligerent in the war against Germany, see *Foreign Relations*, 1943, vol. II, pp. 314 ff.

Third Party recognized the difficulty of this. The idea was still, in his mind, the most effective gambit we could make in the political warfare with the Russians as related to China. It would not be necessary for the United States to vote for admission of the Peiping Chinese. It could continue to vote and rant against such an idea and at the same time remove the obstacles which it has set up with other countries.

In Third Party's view, the essential thing is to give the non-Stalinist forces an opportunity to get in touch with the rest of the world and find out what it is thinking. The trouble now is that the contacts are almost all with Moscow. Admission to the UN would be of great help to the Chinese who have a potentially friendly attitude toward the United States and Britain, etc. It would strengthen their case in arguing that the rest of the world—i.e., the non-Moscow world—has not closed the door on friendship with the Chinese.

First Party then raised anew the question of the difficulty, from the standpoint of the future of the UN and American public opinion in regard thereto, in seating the Peiping delegation while Peiping is in notorious violation of the standards imposed by the Charter. Could it be anticipated that the Peiping régime would conform even after being seated? First Party said that an important question which Third Party and his associates should ask themselves is this: Is there any practicable chance that the Chinese intervention in Korea can be called off even if a group in Peiping decided they wanted to call it off and make a peaceful settlement? First Party said he attached great importance to the point that Mao had selected that general known to be closest to Moscow to lead the attack in Korea and had, according to Third Party's account, made a considerable redeployment of forces in order to do so. In First Party's view, this meant that Mao was taking care to forestall any possibility of an effective change of heart in Peiping. He was selecting a general who would be responsive to Moscow rather than to his own government in case of any conflict of intention between the two. If this reasoning were correct, then the idea that Peiping can effectively change its stance in the world situation is out of the question. Mao has already burned the bridges. Peiping is no longer the effective capital of China; rather Moscow is. That is what is implied.

Third Party was then quoted as saying that, irrespective of the developments as to seating in the UN, the United States should do nothing for the time being about Formosa. Keep the interdiction there. Strengthen the Chinese forces. Use it for bargaining with Peiping in the remote event that the idea of developing a defection of the régime from Moscow should work. In the more likely event that it does not work, the Chinese forces on Formosa will be of great assistance in the warfare that is sure to follow on the mainland. In giving this advice, Third Party felt that at the right time something could be done to get Chiang to step aside and to solve the problems flowing out of our recognition of the Nationalist régime. An accommodation between anti-Moscow forces on the mainland and the Chinese elements on Formosa would have to be worked out, but Chiang's position in the saddle would certainly prejudice the whole movement. That problem would have to be solved. Meanwhile, however, Third Party suggested that the *status quo* as to recognition and as to Chiang's position should be maintained.

Besides the forces on Formosa and besides the potentially defecting army on Shantung, there are three Chinese armies on the mainland which still retain their identity though they do not count in the present deployment pattern of Peiping. These are the armies of Chen Chien, Fu Tsu-yi, and Chang Chih-chang.[27] These should line up against the Moscow elements in a showdown.

Third Party's advice: Don't bomb the Chinese mainland in reprisal for the Korean business. The Chinese people are psychologically prepared for it. The Stalinist elements have warned everybody that we would do it. Now we haven't. This has caused some propaganda trouble for the Stalinists. The point is not that they were fooling the people. The Stalinists really believed we would bomb.

They were sold by Moscow on our hostile intentions. They believed we had aggressive intentions. They told other Chinese this. Others were reluctant to believe it. The Stalinists were prevented for the time being from intervening. Meanwhile they redeployed troops in event it became possible to intervene. The crossing of the 38th parallel gave them their cue. This was presented as proof of our intention not merely to restore the *status quo* but to carry the battle onward. That we have not bombed the mainland tends to undermine their case. Their propaganda has begun to decline in impact because of this.

Third Party's advice: This above all, don't give us the kiss of death. If Peiping should show signs of independence from Moscow or if, which is more likely, there should be an attempt to overthrow the régime, the United States must not give the results its blessing. It must not trumpet a victory to the world. That would pour cold water on the whole effort. Third Party recalls the painful experiences resulting from references in the White Paper[28] to the intellectual groups as allies of the United States. He and others in his group had to pound the table and thump their chests in proclaiming their hatred of the United States on that occasion. The same had happened when General Marshall had referred to the non-Nationalists and non-Communists as friends of the United States. All of them had to shout: Not guilty!

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[27] Chang Chih-chung, a former Nationalist military commander, was Vice Chairman of the Northwest Military and Administrative Committee, People's Republic of China.

The United States must not tip its hand. It must give no inkling of this possible development of a *coup d'etat.* It would mean the end of all those who might support it.

Also, give up any hopes of linking such a movement with Chiang.

The United States should be advised to take an urbane view of the developments. A defection toward neutrality is all that can be expected now. If it works, do not expect the Chinese to start sounding off like the Voice of America. They won't. They will have to state the case in terms to which the Chinese have now become accustomed. They will not dare to talk friendship with the United States. The problem of those who would arrange a defection is how to persuade enough of the others to go along. This cannot be done in the idiom of American propaganda. It will have to be in a Chinese idiom. It will have to be in terms of hostility to foreign influences.

The conversations closed on the topic of estimating Third Party's motives, degree of reliability, etc. Second Party, who impressed First Party well, . . . He had confidence in him. He believed he would come through in the event. He believed Third Party was honest in his expressed determination to do something to cut the lines that tie China to the Moscow chariot. . . . What they saw seemed to confirm what Moscow had told them: That the rest of the world had turned its back on Peiping. . . . He said Third Party displayed a growing comprehension that the issue cannot be compromised—that a nation cannot attach itself to Moscow in a half measure—that it must cut its ties altogether or altogether lose its freedom. This the non-Stalinist elements in Peiping had been slow to perceive. Third Party, Second Party was sure, now saw it.

In the third conversation, Second Party passed on further information given by Third Party. He quoted Third Party as saying that the composition of the inner core of the non-communist dissidents in China was a tightly held secret. Third Party was uninformed as to the controlling personalities. . . . They were described as having secret contacts with one another and with certain of the non-Stalinist Communists—Chou En-lai was specifically mentioned in this connection.

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[28] U.S. Department of State, *United States Relations With China: With Special Reference to the Period 1944–1949* (Washington, Government Printing Office, 1949). For documentation concerning the decision to publish the China White Paper, see *Foreign Relations*, 1949, vol. IX, pp. 1365 ff.

One element of dissident strength was said to be the secret societies, which communists have not captured nor even deeply penetrated. The gangster-Robinhood, Tu Yueh-sheng,[29] was mentioned in this connection.

A second element was said to be certain Kuomintang generals who went over to the communists during the final phases of the civil war. Only those with troops should be regarded as significant factors. Specific ones mentioned were Chang Chih-chung, whose troops were said to be in the northwest; Chen Chien, who, up to the time of his defection, was the senior Kuomintang general, and whose troops were said to be in the Hankow area; Fu Tso-yi whose army was reported to be in Suiyuan; Hu Ch'i-wei, Li Chi-shen,[30] [name deleted] and Lung Yun [31] (former governor of Yunnan). The communists have placed in encircled inland positions the former Nationalist troops commanded by these generals. Li Chi-shen was said to be doing a good job but was reported to be closely watched.

A third dissident group was said to be the Kuomintang Liberals who went over to the communists. The only one mentioned was Shao Li-tze.[32]

Bankers and industrialists were said to form the financial base of the dissidents. The names of Hou Teh-peng [33] and K. P. Chen [34] were mentioned. Support from such sources freed the Third Group of the need of outside financial assistance. Their holdings were reported to be in such places as Shanghai, Tientsin, Hankow and Canton. To bomb such places would damage mostly the interest of the Third Group, the communists having removed their factories to the northwest. Second Party said that if we must bomb, we should do so in Manchuria and Northwest China.

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[29] Tu Yueh-sheng, a banker, businessman, and leader of a Shanghai secret society, was living in Hong Kong.

[30] Li Chi-shen, a former Nationalist general and political figure, was Chairman of the Kuomintang Revolutionary Committee and Vice Chairman of the Central People's Government Council, People's Republic of China.

[31] Lung Yun, former Governor of Yunnan, 1928–1945, was Vice Chairman of the Southwest Military and Administrative Committee, People's Republic of China.

[32] Shao Li-tzu, former Chinese Ambassador to the Soviet Union, 1940–1942, was a member of the Standing Committee of the Kuomintang Revolutionary Council and a member of the Government Administration Council, People's Republic of China.

[33] Hou Teh-pang, the former general manager of a major chemical company, was Vice Chairman of the All-China Federation of Scientific Societies in the People's Republic of China.

[34] K. P. Ch'en was Chairman of the Board of the Shanghai Commercial Bank in Hong Kong.

A fifth source of dissident strength was reported to be various minor political parties banded together in the Democratic League, which the Communists think they control. These were said to appear superficially inactive but to be actually active underground. Lo Lung-Ch'i [35] and Chang Lan [36] were named as the aboveground leaders as distinguished from the underground leadership.

Overseas Chinese were said to form a sixth source of strength. Many of these were said to have cast their lot with the new régime, but as patriotic Chinese, not as stooges of the Soviet Union.

A seventh element of dissident strength was said to be the Peoples' Organizations, the Jen Min Tuan Ti, set up by the communists but infiltrated by what Third Party called "our men".

Patriotic Communists form an additional source of strength. The principal personality in this group was said to be Chou En-lai. His arch rival was said to be Liu Shao-Ch'i,[37] leader of the Stalinists. The CCP was reported to be quite different from that of the U.S.S.R. Its secret sessions were said to be marked by the freest interchange of ideas and argument. The Patriotic Communists engaged in United Front activities were said to be points of contact with the Third Group.

Certain points of biographical information were passed on by Second Party.

Liu Shao-Ch'i was said to have financial interest in the Sino-Soviet airline. He was said to be doing very well financially but it had not been possible to determine what he was doing with his financial gains.

. . . . . . .

The following were reported to have been branded by the Communist press as American agents and therefore cannot be used: Chang Fa-Kuei alleged to be responsible for South China; Jen Yuan-tao and [name deleted], alleged to be responsible for East China (Jen is an ex-Japanese puppet); [names deleted] Tseng Ch'i [38] (Youth Party); and Tsao Yueh-sung.

The question whether Communist China might get into the UN was then discussed, with the factors being reviewed along the lines indicated during the first meeting.

Second Party brought up the question of the rearmament of Japan, asking whether it was too late to hold off that development. He said the rearmament of Japan would run counter to the hoped-for events in China. He quoted Third Party as saying the native China *bourgeoisie* on the mainland were interested in reparations.

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[35] Lo Lung-ch'i, a leader of the China Democratic League and a member of the Government Administration Council, People's Republic of China.

[36] Chairman of the China Democratic League and Vice Chairman of the Central People's Government Council, People's Republic of China.

[37] Liu Shao-ch'i, Vice Chairman of the Central People's Government Council, People's Republic of China.

[38] Tseng Chi, a leader of the Young China Party, was living in the United States.

The contingency of a *coup d'etat* was then discussed. Third Party was quoted as saying that a *coup d'etat* could occur on the mainland if a full-blown war should develop or if the Third Group should become convinced that the Communists were planning a purge of dissidents. In event of war, the Communists might be compelled so to deploy their forces as to make it impossible for them to continue their encirclement of the Third Group units.

First Party pointed to the dangers of deferring a *coup d'etat* until the Stalinists were ready to strike, for then it might be too late. He suggested that the Third Group might be overestimating their own discipline and the firmness of their own information relatively to those factors among the Stalinists. Second Party said he had raised the same question with Third Party and had been reassured of the tightness and discipline within the Third Group although Third Party was aware of the acute danger that the Stalinists might get the first jump.

Third Party was quoted again as saying that it would be exceedingly difficult to convince Chou En-lai that peace with the United States was possible and that it would be to the greatest benefit of the Communists in China. Even the Patriotic Communists were said to be deeply convinced that the United States was implacably determined to destroy them and that any idea of accommodation was hopeless. They were said to be convinced that the United States was determined to put Chiang back on the mainland and that, therefore, they had no alternative but to go along solidly with the Stalinists.

Second Party stated that Third Party had emphasized to him that the dissidents in China must follow an independent Chinese course and must not serve purely American purposes—"we are your friends, but not your agents".

Second Party said that Third Party had indicated that Liu Shao-ch'i appeared to be determined to embroil China in war with the United States. This he recognized was Soviet policy. To this end suicide aviators and submarine crews were being trained for an attack on the 7th Fleet in the strait of Formosa. He interpreted this as designed to provoke the United States into war with China. He expected that this would occur some time this spring.

In the fourth conversation, First Party stressed the importance of the need to take the contemplated action while time remains. He explained that the pressures within the public, the Congress, and within the Executive branch of the United States were building up in the direction of seizing the issue with Communist China.

First Party said that it was necessary to avoid letting the fat be thrown in the fire rather than to figure what to do once the fat is in the fire. Should events carry so far as complete hostilities between the United States and the Peiping régime, it would be impossible for the United States Government to distinguish between different classes of its enemies. Then all shades of red would be classed as red. There could be no turning back, no pulling of punches, to permit elements within the Peiping régime to take readjustments and redefine their purposes.

First Party stressed that the United States would regard a mainland régime reoriented away from Moscow or established by a *coup d'etat* against the Moscow elements as the real political force in China. First Party said, however, that the United States had political alternatives to the one indicated in earlier conversations as coming from Third Party. First Party stressed that it would be well for the new developments to occur before the United States had been forced to freeze its position in some contrary direction.

First Party said that the United States was much impressed by the basket outlined by Third Party. It was willing to put all its eggs in that basket as soon as it comes into existence. It could not put its eggs in a mere picture of a basket. It had to have an event rather than a prospect as the basis of its action.

Second Party said that Third Party in effect was saying if the United States would produce just one egg, his group would produce the basket. Second Party said that a relaxed attitude that would permit admittance to the United Nations was all that the Peiping dissidents were suggesting.

First Party stressed that the United States Government would appreciate the importance of not hailing such a new régime as friend and ally. Funds authorized by Congress to be spent in the general area of China without the requirement of vouchers were still available in large quantities. These would enable the United States to act subtly in the new situation in China, should it develop, by giving utmost support while outwardly maintaining an aloof attitude.

First Party suggested that Second Party should pass on to Third Party that this Government has obtained from sources other than Second Party information in very large measure parallel to that given by Second Party. This other information indicated that a purge of non-Stalinist elements in Peiping was not remote. The opportunity to strike effectively against the Stalinist elements might soon be foreclosed by events of precisely the opposite character.

Second Party said that any effort to stimulate a sense of urgency in Third Party on this score was unnecessary. Third Party was scared stiff of the prospect of the development indicated and realized to the utmost the need to move as swiftly as possible.

First Party repeated that the political situation in the United States made impossible at this time the suggestion of seating a Peiping delegation to the UN. This bore on the relationship between the United States and its European allies. The United States could not possibly vote for the seating of the Peiping delegates while Peiping was conducting warfare against our forces and against the UN, as to do so would disrupt the political unity of the country. For the United States to continue outwardly to oppose this while its allies accomplished it would split our alliance. The public and the Congress could not understand such an action. The justification could not be stated without tipping the hand of the dissidents at Peiping. The necessity of keeping these prospective developments secret ruled out the possibility of opening the UN doors at this time. First Party stressed, however, that a change in attitude toward seating Peiping in the UN was not foreclosed, provided Peiping manifestly changed its attitude. A solution of the problem at the UN could certainly be anticipated as a consequence of, though not as a condition precedent to, a change in course at Peiping.

First Party said that the points given above might be passed on to Third Party with redoubled emphasis. In general they echoed what First Party had stated in the first and second conversations; he was now speaking after wide consultation and careful deliberation at high levels on the basis of his reports from the earlier conversations, and the views now had greater weight.

Second Party said Third Party had put forth the prospects of favorable developments at Peiping as contingent upon seating a Peiping delegation to the UN. Second Party was not certain of the degree of interdependence. However, in Third Party's view, dramatic proof that the United States had not turned its back on peace with Peiping was essential to the plans of the non-Communist group at Peiping. Otherwise they could not counteract the pressure from Moscow and the pessimistic reports taken back by [name deleted].

Second Party asked as to the possibility of a change of attitude on the rearming of Japan contingent upon favorable developments at Peiping.

First Party explained that the United States could not reconsider this without positive favorable developments at Peiping. He suggested that Third Party be reassured that the United States planned only to help the Japanese prepare for their own defense, that there was not the slightest intention of reconstituting Japan as a great military power, that the idea of reestablishing Japanese maritime fighting power so that it might again threaten the security of the Asiatic continent on a wide radius was completely beyond the United States intentions. First Party said the Japanese might possibly become capable of operating on a short radius toward the Soviet maritime provinces but the idea of a Japan remilitarized to threaten anew China or the insular or continental areas to the south was out of the question. Our allies such as the Philippines and Australia would not countenance such a rebuilding of Japan, even if the United States wanted it—which it did not.

First Party added that the United States policy regarding Japan was only a part of an Asiatic policy. The content of our Japanese policy was derived from the general situation in Asia. A lifting of the immediate Soviet threat or a great alteration in the power situation induced by a defection of Peiping from the Moscow orbit would certainly make it possible to modify our intentions regarding Japan. Japan's security bore directly on the security of the United States. The security of Japan would be very different if the consolidation of hostile strength on the continent were broken down.

First Party stressed also that the United States did not regard Japan's future primarily in the framework of relations between the United States and Japan. Our hopes lay ultimately in an accommodation between Japan and Japan's neighbors compatible with the well being and security of all of them. Such an accommodation could not be realized so long as China was working in the interest of a power which was opposed to such accommodation and bent upon penetration and conquest. Obviously Chinese persistence in such a course might force the United States into a different set of aims. Japan's position vis-à-vis the continent would almost certainly be aggrandized as a result of a war in which Japan alone in that neighborhood would be identified with the winning side.

Second Party said in his interchange with Third Party he had gathered the strongest impressions of the prospect of a Soviet attack on Japan as the opening move in a war rather than an attack in Europe. He gave as coming from Third Party a report that the U.S.S.R was building up paratroop forces in Sakhalin.

First Party inquired as to the degree of penetration of the Peiping military establishment by Russians. Second Party said Third Party had indicated an awareness at Peiping of the danger of such Russian penetration, though he had no precise information directly bearing on the question. He reported that Russian military missions were circumscribed in movement. They generally kept within their compounds. Mao Tse-tung had shown cleverness in dealing with Russian penetration. Moscow had sent 50 Russian professors to China for the ostensible purpose of strengthening cultural cooperation through visits to Chinese universities. Mao had welcomed them and, suspecting they were NKVD agents, had assigned all 50 to the same university and had them put to work on a translation project of purely cultural importance. They were kept under watch.

First Party inquired into the possible effects of a change in the power situation in Formosa, with Chiang stepping out of the picture. Second Party said, citing Third Party, that this could be of the greatest importance in demonstrating that United States policy was not wedded to Chiang as charged by the Stalinists. This should make it possible to bring about a close degree of collaboration between elements on the continent opposed to Moscow and elements on Formosa. It should certainly make for the solidification of Chen I in the anti-Stalinist camp. Collaboration between him and Formosa elements should enable the anti-Stalinist forces to change the situation so as to bring to an end the criticial encirclement of the forces on the continent which had gone over from the Nationalists to the Reds and now were not relied on by Peiping but were kept in a neutralized position. A transfer away from Chiang of power on Formosa would certainly redound to the forwarding of either the reorientation of Peiping or a *coup d'etat*. The sooner this was accomplished, the better it would be from this standpoint.

Second Party said Third Party had identified Chuh Te,[39] commander in chief of Peiping military forces, as non-Stalinist whose attitude might be greatly altered if Chiang were to step out of the picture.

The conversation shifted to other possible ways of stimulating the hoped-for developments on the mainland. First Party brought up the idea of a demonstration bombing attack on a selected target of economic importance with a minimum impact on civilian population. Such an attack might be preceded by warnings to the civilian populations over a wide area to take to the country in anticipation of an attack that would show the power of the United States to deal heavy blows at China. The propaganda would emphasize that the United States was staying its hand only out of friendship for the Chinese and in recognition that a war resulting from the mad course being followed by Peiping elements at Moscow's bidding could result only in tragedy to China and the United States and would serve only Moscow. The propaganda could be presented so as to maximize the lesson that the Chinese should cut loose from the Moscow chariot.

First Party suggested the idea of leaflet drops on Chinese cities delivered at night from bombers at high altitude. The leaflets might stress the theme that they might have been bombs but were not bombs thanks only to the patience of the United States in the face of the course of the elements of the Peiping government slavish to Moscow and hostile to the United States and the real interests of the Chinese people.

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[39] Chu Te, Commander in Chief of the People's Liberation Army and Vice Chairman of the Central People's Government Council, People's Republic of China.

Second Party gave the offhand view that such ventures would be negligible from a propaganda standpoint but might be of help to the dissident forces in Peiping in creating chaos and fear at the right moment. Much would depend on their timing. They might run counter to their purpose if not done right. They might serve only to harden the coalition now formally obtaining at Peiping. It would be important to point the propaganda attacks at the Stalinist elements of the Peiping régime, while avoiding any indication of collaboration with the non-Stalinist elements. It would probably be well to level the propaganda attacks on the pro-Moscow acts of Peiping and those responsible but without indicating any differentiation between specific elements in the régime. The propaganda should certainly stress the possibility of peace between China and the United States and the awful consequences for war.

It was agreed that Second Party might communicate further views on these gambits through personal correspondence with First Party. This might be done after careful and guarded inquiry with Third Party. The interests of security would require great circumspection. . . .

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## *Memorandum Prepared by the Central Intelligence Agency for the Senior Staff of the National Security Council*[1]

SECRET [WASHINGTON,] 11 January 1951.

Subject: Position of the United States with Respect to Communist China.

Reference: Memorandum for the Senior NSC Staff, 22 November 1950,[2] page 3.

1. The following estimates are submitted in response to the requirements specified in the Reference. They are based on Departmental contributions to a projected estimate, NIE–10,[3] which will be completed and coordinated as a matter of urgency. At present time, however,

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[1] A notation on the source text by Lucius D. Battle, Special Assistant to the Secretary of State, indicates that Secretary Acheson saw the memorandum.

[2] Not printed.

[3] Dated January 17, p. 1510.

they reflect only the judgment of the National Estimates Board within CIA.

*The Survival Prospects of the Chinese Communist Regime*

2. For the foreseeable future the Chinese Communist regime will retain exclusive governmental control of mainland China. No basis for a successful counter-revolution is apparent. The disaffected elements within the country are weak, divided, leaderless and devoid of any constructive political program. The great majority of politically conscious Chinese accept the existing Communist regime and see no agreeable alternative to it. No fatal split in the Communist regime itself is now indicated. In particular, the regime is assured of effective control of the Chinese Communist Army. Consequently, although the pacification of certain rural areas, especially in South China, may be indefinitely delayed, the Communist regime can contain and control active internal resistance and maintain indefinitely its authority in mainland China.

*The Nature, Strength, and Survival Prospects of Opposition Forces within Mainland China*

3. Active resistance to the Communist regime within mainland China consists of three principal elements, not always distinguishable:

*a.* Banditry endemic in certain areas. Such elements resisted the Kuomintang regime and must resist any regime interested in establishing law and order. Banditry has presumably increased as a result of the social and economic dislocations accompanying revolution.

*b.* Local, spontaneous, and probably ephemeral peasant uprisings against the interference and exactions of government officials. This also is a normal social phenomenon without ideological implications, although the situation may have been aggravated by revolutionary conditions and Communist actions.

*c.* Actual guerrilla forces, made up of Nationalist remnants, Communist deserters, adventurers, and a few ideological opponents of the regime.

4. No reliable information is available regarding the actual strength of resistance forces in mainland China. It is estimated that some 700,000 men may be engaged in active resistance of one sort or another. Of these perhaps 300,000 may be loosely connected with the Nationalist regime in Formosa. The strength and effectiveness of resistance forces on the mainland could no doubt be increased by the provision of a definite organization, command, and plan of action, effective communications, and logistical support. Such a development, however, would bring on more vigorous Communist counteraction. Moreover, the identification of internal resistance with the discredited Kuomintang and with US "imperialistic aggression" would probably reduce

popular sympathy with the resistance forces and handicap their operations.

5. Some active resistance to the Communist regime can probably be maintained indefinitely in mainland China, especially in southern China. It cannot be expected, however, that such resistance forces could by themselves seriously endanger or overthrow the Communist regime, in the absence of an effective counter-revolutionary movement. The most that could be expected of them would be the diversion and containment of Communist military strength.

6. Invasion of the mainland by Nationalist forces from Formosa would not materially improve the prospects for overthrowing the Chinese Communist regime. Apart from the difficulties inherent in mounting such an invasion, there is no reason to suppose that the Communists could not again defeat decisively any Nationalist forces found operating openly on the mainland.

### *The Survival Prospects of the KMT on Formosa*

7. It is the declared intention of the Chinese Communists to gain possession of Formosa, by force of arms if need be. The presence and mission of the US Seventh Fleet has, however, deterred them from any attempt to invade the island hitherto. As long as the Seventh Fleet is available to protect Formosa it is at least doubtful whether a Communist assault could succeed without effective Soviet air and submarine support. It is therefore considered unlikely that an assault would be undertaken in present circumstances.

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### *The Nature and Strength of Chinese Communist Ties with the Kremlin*

10. It is evident that the rulers of Communist China and of the USSR are cooperating closely with each other. There is between them a bond of mutual interest in the elimination of Western power and influence from Asia, in the name Asian liberation and world revolution, but also in the interest of the mutual security of the two regimes. Intensification of hostility between Communist China and the West strengthens this bond by rendering Communist China the more dependent on the USSR for political, economic, and military support and assistance.

11. There are certain latent potentialities for conflict between Communist China and the USSR inherent in the possibility of conflict between Chinese national interest and Soviet imperialism. The Chinese Communists would be sensitive to any Soviet attempt to usurp control of the Chinese Communist apparatus and so to reduce China to the status of a satellite. They would also be sensitive to any tran-

sition from economic assistance to economic exploitation. Finally there are possibilities for conflict of interest regarding the control of such territories as Sinkiang, Manchuria, Korea, and Southeast Asia. These latent possibilities are unlikely to emerge, however, in the presence of a dangerous common enemy.

### *The Vulnerability of China to Economic Warfare, Naval Blockade, Sabotage, and Selective Bombing*

12. The general economy of China is rural, at the subsistence level, and largely impervious to outside action. The urban economy of China, however, is largely dependent on overseas trade, and the Chinese Communist regime is largely dependent on urban political support. The interruption of overseas trade by economic warfare measures and by naval blockade would create unemployment and unrest, hinder industrial production and development, and create serious financial and administrative problems. Already, however, one third of China's imports come from the USSR and this flow presumably could be increased if the USSR accorded the necessary priorities and if overland communications were maintained and developed. The net result would certainly be severely damaging, but probably not fatal to the regime.

13. The conditions envisaged above would be severely aggravated by selective sabotage and bombing of industrial and especially communications facilities. The ensuing economic and internal security conditions would eventually reduce the external military capabilities of the regime and might conceivably imperil its stability. There would, however, be an inevitable lag between the initiation of such operations and this eventual effect. Neither the Chinese people nor the Chinese Communist regime could be expected to remain passive during this interval. Aerial bombardment, certainly, would be regarded as a transition from localized to general war on US initiative. General and open Chinese attack on all Western interests within reach of the Chinese armed forces would therefore have to be expected, with strong Chinese popular support and probable Soviet assistance.

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**793B.00/1–1251 : Telegram**

## *The Ambassador in India (Henderson) to the Secretary of State*

TOP SECRET NEW DELHI, January 12, 1951—9 p. m.

1691. Deptel 1047, January 6.[1] In reply Department's request re numbered subjects.

1. We have no first hand information re conditions Tibet. Recent Embtels contain reports from Indian press (Embtel 1648, January 8[2]

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[1] For the text of telegram 1047, see *Foreign Relations*, 1950, vol. VI, p. 618.
[2] Not printed.

for example) which may be exaggerated or distorted and from GOI (Embtel 1658, January 9)[3] which may be wishfully warped to fit GOI inclination to do nothing which might offend China.

Before Dalai Lama[4] left Lhasa Tibetan Foreign Secretary, according press, indicated "Tibet is united as one man behind Dalai Lama who has taken over full powers and there is no possibility fifth column operating Tibet proper; we have appealed world for peaceful intervention in clear case unprovoked aggression but should no help be forthcoming we are determined fight for our independence; if necessary we are even prepared remove government and Dalai Lama other parts to continue fight. Tibet is large, difficult country re terrain and as we have men, ammunition we can continue warfare indefinitely."

Despite this brave statement we are inclined believe Tibetan spirit resistance has been steadily ebbing. Apparent decision Dalai Lama remain at least temporarily Yatung however somewhat encouraging. Even this late date if GOI, US and UN would show greater interest Tibet and indicated readiness assist, Tibetan will to resist might be revived to extent at least. GOI, however, appears to have abandoned hope, and in view this fact and its anxiety not to offend Peking it would not be easy to prevail on it to extend further assistance or to permit armed shipments through India for Tibet.

Unless there is an immediate future indication that Tibet might receive moral as well as substantial military aid from abroad Dalai Lama might depart from country and with his departure all effective resistance would probably collapse.

We doubt Dalai Lama would have any effectiveness as center of support for internal resistance if in India and if Chinese Communists control Tibetan Government and country. In addition, GOI would probably not permit him to direct resistance movement from India.

2. Difficult this end make recommendations reaction UN. Suggest: first step would be invitation Tibetan delegation proceed immediately Lake Success to present case and to Peking to present its side; second step would be hearing both sides of case; third might be presentation resolution by US or some other friendly UN member in case India still unwilling take lead calling for cease-fire and negotiations to be completed by definite date. Appointment suitable person as commissioner of good offices who should proceed Tibet or elsewhere to assist parties and who should report to UN at specified intervals.

Peking would probably refuse appear to defend case on various grounds including interference in internal affairs China and would undoubtedly reject UN next move asking for cease-fire. Nevertheless, we believe hearing should be held, cease-fire should be asked for and in event Peking ignores these actions, passage resolution condemning Communist China for using force in endeavoring deprive Tibet long established autonomy. Whether it would be possible go further this point would depend on attitude other members UN, particularly India and UK.

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[3] Telegram 1658 reported that Indian Foreign Secretary K. P. S. Menon had told Henderson that, according to the Indian representative in Lhasa, the Tibetan spirit of resistance seemed dead and the Tibetans were merely trying to postpone the arrival of the Chinese Communists through negotiations (693.93B/1-951).

[4] The fourteenth Dalai Lama, spiritual and temporal ruler of Tibet.

3. We have suggested foregoing comparatively mild steps in hope they would appeal to UN, particularly India which we know does not desire come to direct issue with Peking. At same time in absence effective force by UN or its members they may serve dramatize China's aggressive attitude towards Tibet in world forum.

. . . . . . .

Air mail letter in accordance first paragraph reference telegram sent Tibetan delegation Kalimpong January 11.

Assume separate message mentioned second paragraph refers Deptel 1015, January 3 on which action reported Embtel 1622, January 5.[5]

Department pass London; sent Department 1691 repeated information London 98.

HENDERSON

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[5] Telegram 1015 to New Delhi stated that the Tibetan Delegation to the United Nations should be advised that application for visas for temporary entry into the United States could be made to the American Consulate General at Calcutta which had appropriate instructions (793B.00/12-2650). Telegram 1622 from New Delhi reported that the Embassy had sent an airmail letter to that effect to the Tibetan Delegation (793B.00/1-551).

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794A.5/1-1551

### *Memorandum by the Director of the Office of Chinese Affairs (Clubb) to the Assistant Secretary of State for Far Eastern Affairs (Rusk)*

TOP SECRET [WASHINGTON,] January 15, 1951.

Subject: Present Status of Formosa Grant Military Aid Planning.

The following summary of action to date regarding grant military aid to Formosa is furnished in response to your recent request.

Although the Fox Survey Group,[1] dispatched by CINCFE[2] to Formosa pursuant to NSC 37/10,[3] completed its work by the end of August the Department did not receive a copy of their report[4] until October 31. No formal indication of Defense's reaction to the Survey Group recommendations was received until last week, when General Scott[5] transmitted Defense recommendations for the allocation of funds for FY 1950 and FY 1951. During this interim the Department took the following steps:

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[1] The Far East Command Survey Group, headed by Major General Alonzo P. Fox, Deputy Chief of Staff, General Headquarters, Supreme Commander of the Allied Powers in Japan, conducted a survey in August 1950 of the military needs and resources of the Republic of China.

[2] General of the Army Douglas MacArthur, Commander in Chief Far East. MacArthur was also Supreme Commander, Allied Powers (Japan) and Commander in Chief, United Nations Command, Korea.

(1) Approved a Defense recommendation resulting in the shipment of $9.7 million worth of ammunition as an initial program of military assistance.[6] This shipment was financed from MDA funds in the amount of $14.3 million allocated by the President to the Department of Defense on August 25.

(2) Addressed a letter to the Department of Defense[7] listing certain factors which, in the absence of concrete information regarding military aid programming, the Department believed should be taken into account. (The military aid program should be designed solely to contribute to the defense of Taiwan and, in the interest of economy, should be based on a careful study of existing stocks and a determination in each instance that the Chinese armed forces were capable of absorbing and effectively utilizing all matériel furnished.)

General Scott's letter dated January 5[8] recommends that the Secretary request the President to allocate to Defense funds in the amount of $71.2 million for Formosa for FY 1950, FY 1951, and supplemental FY 1951. This sum is broken down as follows: Army, $50 million; Navy, $5.2 million; Air Force, $16 million. No justification or explanation of these figures was included, General Scott stating that detailed programs would be submitted "at the earliest practicable date". CA's memorandum dated January 9 to Mr. Parelman[9] (copy attached) raised certain questions which may require answering before a final FE position is determined regarding the requested allocation of funds.

It is CA's understanding that in addition to the allocation of $71.2 million requested in writing for FY 1950 and FY 1951 Defense has informally indicated, for purposes of tentative budget programming, that $212 million will be recommended for Formosa for FY 1952 and that estimates for FY 1953 through FY 1955 have also been made. (CA has seen no figures for these years.) SEAC Committee minutes indicate that these annual requirements are all based on Fox Report recommendations (although it was CA's original understanding that items recommended by the Fox Survey Group totalled only $158 million in value).

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[3] For the text of NSC 37/10, August 3, 1950, see *Foreign Relations*, 1950, vol. VI, p. 413.

[4] Not printed; but see the summary of the report by Richard E. Johnson of the Office of Chinese Affairs, December 7, 1950, *ibid.*, p. 591.

[5] Maj. Gen. S. L. Scott, Director of the Office of Military Assistance, Department of Defense.

[6] The Department's approval was given in a memorandum of September 18, 1950, from John O. Bell, Acting Deputy Director, Mutual Defense Assistance, to Maj. Gen. Lyman L. Lemnitzer, Director of the Office of Military Assistance, Department of Defense; for text, see *Foreign Relations*, 1950, vol. VI, p. 508.

[7] For the text of the memorandum by John H. Ohly, Deputy Director, Mutual Defense Assistance, to Major General Scott, January 4, 1951, see *ibid.*, p. 617.

[8] Major General Scott's memorandum to the Acting Director, Mutual Defense Assistance, January 5, is not printed.

[9] The memorandum from Clubb to Samuel T. Parelman, Special Assistant for Regional Programs in the Bureau of Far Eastern Affairs, is not printed.

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INR–NIE Files

## *National Intelligence Estimate*

SECRET

NIE–10

WASHINGTON, January 17, 1951.

### COMMUNIST CHINA [1]

#### THE PROBLEM

To estimate the stability of the Chinese Communist regime, its relations with the USSR, and its probable courses of action toward the non-Communist world.

#### DISCUSSION

*Stability of the Chinese Communist Regime.*

1. For the foreseeable future the Chinese Communist regime will probably retain exclusive governmental control of mainland China. Although there is undoubtedly much dissatisfaction with the Communist regime in China, it does enjoy a measure of support or acquiescence and is developing strong police controls. No serious split in the Communist regime itself is now indicated. In particular, the regime has effective control of the Chinese Communist army. There are no indications that current anti-Communist efforts can achieve a successful counter-revolution. On the basis of the slight evidence available, it is estimated that about 700,000 men may be engaged in active resistance operations, ranging from local banditry to organized guerrilla warfare. There is insufficient evidence either to substantiate or deny Nationalist claims that a considerable number of these are associated with the Nationalist regime on Taiwan. These forces are creating widespread disorders and are handicapping the Chinese Communist program despite the fact that they are uncoordinated, lack effective top-level leadership, and so far have developed no construc-

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[1] According to a note on the cover sheet, "The intelligence organizations of the Departments of State, the Army, the Navy, and the Air Force participated in the preparation of this estimate and concur in it. This paper is based on information available on 15 January 1951."

tive political program. By themselves and under present conditions these resistance forces do not constitute a major threat to the Chinese Communist regime.

*General Objectives of Communist China.*

2. The main objectives of the Chinese Communist regime are to establish and perpetuate its own control over all Chinese territory and to construct in China a Communist economic and social order. The Chinese Communists aim at eliminating Nationalist Chinese and Western power from China and contiguous territories as rapidly as possible. With support of the USSR, they aim further at the final victory of world communism and at Chinese leadership of a Communist Far East.

*Sino-Soviet Relations.*

3. The Chinese Communists are clearly coordinating policy and acting in close cooperation with the USSR. There is between Peiping and Moscow a defense treaty. There is also at the present time a strong bond of mutual interest in jointly protecting the security of the two regimes, in eliminating Western influence from Asia, and in furthering the success of international communism.

4. The current Soviet program of economic and military assistance is contributing to Communist China's ability to progress toward its military objectives. Western counter-measures against Chinese Communist advances would render Communist China more dependent on the USSR for such further economic and military support as the USSR might be able or willing to provide. It is possible that such measures would result in Communist China becoming an economic liability to the USSR.

5. Latent possibilities of conflict between Peiping and Moscow exist in such questions as: (*a*) control of Chinese border territories like Sinkiang and Manchuria; (*b*) ultimate control over Korea; (*c*) Soviet efforts to infiltrate and control the Chinese Communist government; and (*d*) failure of the USSR to meet the economic and military requirements of Communist China. But these elements of potential conflict between Chinese national interests and Soviet imperialistic policy and tactics are unlikely to develop at least so long as Communist military operations against the "common enemy" continue to be successful.

6. If Soviet strength should decline sharply in relation to that of the US and its allies, and if, at the same time, the Chinese Communist regime became convinced that it could remain in power through an accommodation with the US and its allies, the Chinese Communist regime might conceivably attempt to break its association with the USSR. This situation is unlikely to develop in the foreseeable future.

*Immediate Chinese Communist Threats to US Security Interests.*

7. The Chinese Communists are following a course of action designed to destroy US strategic interests in the Far East and to reduce the worldwide power position of the US and its allies in relation to the joint power position of the USSR and China.

8. The scale of the Chinese Communist operations in Korea and the unwillingness of the Chinese Communists to discuss a diplomatic settlement except on their own terms indicate that they intend to drive UN forces out of Korea; they have already committed a large proportion of their best troops for this purpose, and are prepared to commit additional forces.

9. The Chinese Communists have indicated their firm intention of capturing Taiwan in order to complete the conquest of Chinese territory and eliminate the last stronghold of the Nationalist regime. The Chinese Communists have the capability for mounting an amphibious attack on Taiwan. So long as the US Seventh Fleet is available to protect the island, however, it is unlikely that the Chinese Communists would undertake such an operation.

10. The Chinese Communists at present also have the capability of intervening effectively in Indochina.[2] They have been supporting the Viet Minh for some time. Direct intervention in strength is almost certain to occur whenever there is danger that the Viet Minh will fail to attain its military objective of driving the French out of Indochina, or that the Bao Dai[3] government is succeeding in undermining the support of the Viet Minh. Even if they do not openly intervene in Indochina, they can and probably will increase military assistance to the Viet Minh in an effort to make the French position untenable.

11. The Chinese Communists are also capable of securing Hong Kong at any time, and they are likely to do so whenever they have convinced themselves that there is no longer any advantage in leaving Hong Kong in British hands and whenever they are willing to accept the consequences of hostile action against British territory. Similar considerations apply to Macao. In the case of Hong Kong, they might stay their hand so as to utilize the Hong Kong problem as a continuing wedge between the US and UK or to preserve the flow of trade through Hong Kong.

12. The Chinese Communists have further capabilities of attacking Burma[4] and of carrying on subversive activities in other countries

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[2] For documentation on U.S. policy with regard to Indochina, see vol. VI, Part 1, pp. 332 ff.

[3] Chief of State of Vietnam.

[4] For documentation on U.S. policy with regard to Burma, see vol. VI, Part 1, pp. 267 ff.

of Southeast Asia. It is estimated that at present they do not have the capabilities for military attack upon Japan.

13. Under present circumstances, the Chinese Communists probably have the military capability of concurrently carrying on their operations in Korea, intervening effectively in Indochina and Tibet, attacking Burma, and capturing Hong Kong, while continuing to contain opposition groups within China.

*Vulnerabilities of Communist China.*

14. Because of Communist China's well recognized enormous numbers of ground forces, the great extent of its territory, and the inadequacy of its communication routes for large-scale Western-type military ground operations, the counter-measures to which Communist China is most vulnerable are the following:

(*a*) Support of Resistance Forces.

By supplying the active anti-Communist forces already present in mainland China with effective communications, military equipment, and logistical support, Communist military strength could be sapped, and their capabilities for operations elsewhere could be reduced. Even under these circumstances, these opposition groups would be unlikely to overthrow the Chinese Communist regime in the absence of an effective counter-revolutionary movement, a political program, a clearcut organization, competent leadership and a plan for action.

(*b*) Use of Nationalist Forces.

The Nationalist Chinese Government on Taiwan has an army in being of approximately 428,000 troops. There is considerable doubt, however, as to the reliability and effectiveness of the Nationalist forces under present Nationalist leadership. The morale and combat efficiency of these forces could doubtless be substantially improved under US training and supervision. Given adequate logistic support, a large portion of these forces could be landed on the mainland. There is considerable question as to whether the Nationalists could mobilize popular support on the mainland or command the effective cooperation of present guerrilla forces. They might, however, be able to capitalize on existing discontent with the Communist regime. Such an operation would for a time occupy considerable Communist military strength.

(*c*) Economic Warfare and Limited Military Action.

Although the economy of China is mainly rural and operates at the subsistence level, the urban segment of the economy is largely dependent on overseas and coastal trade, and by reason of its concentration in a few localities, is particularly vulnerable to bombardment and blockade. Curtailment of foreign trade by Western economic controls, embargos, or by naval blockade, would create urban unemployment and unrest, hinder industrial production and development, and create serious financial difficulties. A campaign of aerial and naval bombardment against selected ports, rail systems, industrial capacity and storage bases, in addition to economic warfare measures, would seriously reduce the military capabilities of Communist China for sustained operations, would impair the ability of the regime to maintain internal controls and conceivably might imperil the stability of the regime itself.

(*d*) Continuation of UN Operations in Korea.

The continued maintenance of UN military operations in Korea would result in a significant drain on the Chinese Communists, would pin down a large portion of their crack troops and reduce their war-making capabilities elsewhere. It could have other far-reaching effects, such as weakening the present feeling of invincibility, reducing the prestige the regime is gaining from current successes, encouraging internal opposition and straining relations with the Kremlin.

(*e*) Effect of Counter-Measures.

The measures outlined in (*a*), (*b*), (*c*) and (*d*) above, if applied in combination, would imperil the Chinese Communist regime. These actions would, however, create a grave danger of Soviet counteraction and would increase the danger of a global war.

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NSC–S/S Files : Lot 63 D 351 : NSC 101 Series

### *Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Secretary of State*

TOP SECRET [WASHINGTON,] January 17, 1951.

Subject: NSC 101/1.[1]

There is attached an alternative draft of NSC 101/1 which it is recommended that you propose be considered by the NSC.[2]

In a paper which sets forth our courses of action with respect to Korea and Communist China, it seems important that our objectives be clearly stated. We therefore propose that a listing of objectives, included in the original JCS paper[3] and eliminated at the Senior Staff meeting, be reintroduced into the paper. The new draft includes the substance of the objectives listed in the JCS paper and adds a statement of our purpose to support the UN and maintain the solidarity of our allies.

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[1] For text of NSC 101/1, January 15, see p. 79.

[2] Secretary Acheson gave a copy of the attached draft to James S. Lay, Jr., Executive Secretary of the National Security Council, on January 17; for a report of related discussion at the NSC meeting that day, see p. 93. A copy of the draft, dated January 18, was circulated to the NSC Senior Staff.

[3] The reference is NSC 101, January 12; for text, see p. 70.

The courses of action remain substantially the same as those in NSC 101/1, except for those paragraphs on which there was disagreement in the Senior Staff, references to our obligations to the UN in proposed actions and a rearrangement for purposes of clarity.

The three items in NSC 101/1 on which there was major disagreement relate to:

(1) A naval blockade of China;
(2) Our removal of present restrictions on air reconnaissance over China; and,
(3) Our removal of restrictions on operations against the mainland by the Chinese Nationalists on Formosa.

1. The main points to be made on (1) are:

(*a*) A naval blockade of China imposed unilaterally by the U.S. would customarily involve the assumption by the U.S. of belligerent rights against Communist China if not a declaration of war.

(*b*) To be effective, it would require blockading the British in Hong Kong, the Portuguese in Macao and the Russians in Dairen and Port Arthur.

(*c*) Presumably, we must accept the JCS recommendation as certifying technically the feasibility of imposing a naval blockade, taking into account the length of China's coastline and the traditionally heavy junk traffic, but the point might be raised as a layman for some supporting details by the JCS on this point.

(*d*) In the absence of authority from the UN or at a minimum the consent and participation of our principal allies, a unilateral U.S. naval blockade of China would place a terrific strain on our relationship with our allies, particularly the British, and the effort which we are making to obtain the support of other free nations, e.g. India.

(*e*) It is submitted that in view of the limited commercial seagoing traffic to Chinese ports and of economic control measures already taken, the actual effects of a blockade might not be of serious consequence to China.

. . . . . . .

[Attachment]

## *Memorandum Prepared in the Department of State*

TOP SECRET [WASHINGTON, January 17, 1951.]

### U.S. ACTION TO COUNTER CHINESE COMMUNIST AGGRESSION

#### OBJECTIVES

1. The objectives of the United States, relative to the situation in the Far East created by Chinese Communist aggression, are as follows:

*a.* To prevent the extension of hostilities beyond Korea and the development of general war, particularly during the period in which the United States and its allies are in the process of achieving the requisite degree of military and industrial mobilization.

*b.* To maintain the security of the off-shore defense line of Japan-Ryukyus-Philippines.

*c.* To support the United Nations, preserve solidarity with our principal allies, and maintain the continued cooperation of other friendly states.

*d.* To support the Republic of Korea as much as, and as long as, practicable, keeping alive resistance if the United Nations is forced to evacuate Korean territory.

*e.* To break the Kremlin control over China or to support the replacement of any government in China which is under the control of and in alliance with Moscow.

*f.* To deny Formosa to any hostile Chinese government.

*g.* To prevent, by all means within our capability and the limits of our global commitments, the further spread by force of Communism on the mainland of Asia, and particularly into Indochina, Thailand and Malaya.

### COURSES OF ACTION

2. The United States should take the following courses of action:

*a. With regard to Korea:*

(1) Limit major U.S. ground forces in the Far East to those now committed, unless the outcome of the present Chinese offensive should indicate that we can profitably remain in Korea with the number of U.S. divisions now committed. In that event, not to exceed two partly trained divisions might be deployed to Japan to increase its security if the Army could provide them and at the same time meet our commitments in Europe.

(2) With the preservation of the combat effectiveness of our forces as an overriding consideration, stabilize holding positions in Korea or evacuate our forces to Japan, if forced out of Korea.

(3) In the event of massive air attacks on UN forces in Korea or in transit to or from Korea, authorize air and naval action against the sources of such attacks, and prepare plans now for obtaining approval of allied governments associated in the Korean action and taking necessary steps in the UN.

(4) Perfect plans for the evacuation of ROK and other UN forces, and for certain categories and numbers of Korean civilians.

(5) If forced out of Korea, continue air and naval action against appropriate military targets in Korea, and extend aid by all practical means to resistance forces in Korea, unless decisions to the contrary are taken in the UN.

*b. With regard to Japan:*

(6) Expedite the build-up of internal security and police forces in Japan pending the early conclusion of a Japanese peace settlement.

(7) Move troops to Japan from Korea as necessary to defend Japan.

*c. With regard to China:*

(8) If China rejects the cease-fire, press for immediate UN action to recognize the aggression committed by Communist China.

(9) If China rejects the cease-fire, continue political and economic sanctions against Communist China and press other members of the UN to adopt similar sanctions.

(10) Prepare plans for a naval blockade of China for possible use only in cooperation with other friendly nations, and in accordance with appropriate UN action.

(11) Prepare plans, for further consideration by the NSC, for the possible use of Chinese forces on Formosa against the mainland of China and the provision of the necessary material support of such operations, including plans for dealing with the UN aspects of the problem.

(12) In order to increase the defenses of Formosa, provide for military training and consider a new program of military aid to the Chinese Government on Formosa.

. . . . . . .

(14) Prepare plans, including proposals for necessary action in the UN or Congress, for initiating damaging naval and air attacks on objectives in Communist China at such time as the Chinese Communists attack any of our forces outside of Korea.

*d. With regard to other areas:*

(15) Increase existing MDAP to Indochina and assist training of the forces of the Associated States if requested by French and local authorities.

(16) Consult with Thai authorities and consider steps to be taken to increase MDAP aid to Thailand.[4]

(17) Expedite the program relating to the Philippines[5] set forth in NSC 84/2[6] giving special attention to the strengthening of the Philippine military establishment and the United States military installations.

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[4] For documentation on U.S. policy with regard to Thailand, see vol. VI, Part 2, pp. 1594 ff.

[5] For documentation on U.S. policy with regard to the Philippines, see *ibid.*, pp. 1491 ff.

[6] For text of NSC 84/2, November 9, 1950, see *Foreign Relations*, 1950, vol. VI, p. 1514.

795.00/1–1851

### *Memorandum of Conversation, by the Director of the Office of Chinese Affairs (Clubb)*

CONFIDENTIAL [WASHINGTON,] January 18, 1951.

Subject: Concern of Chinese Government in Situation Centering on Cease-Fire Proposals [1]

Participants: Dr. V. K. Wellington Koo, Chinese Ambassador
Mr. Rusk, FE
Mr. Clubb, CA

Ambassador Koo called by appointment on Mr. Rusk and began the conversation by saying that his Government was "greatly concerned" by the cease-fire proposals and the United States' support of those proposals. He noted immediately that the situation had perhaps become somewhat academic by reason of the Peiping regime's counter-proposals, and asked for confirmation that the Secretary of State had in fact indicated that the counter-proposals constituted effectively a rejection of the cease-fire proposition. Mr. Rusk confirmed that this was the case and said that in addition Mr. Austin [2] in the UN a few minutes ago had indicated essentially the same thing. Ambassador Koo desired to know what the next move would be, whether it would be particularly the introduction of a resolution finding the Chinese Communists guilty of aggression. Mr. Rusk confirmed that it was proposed by our delegation to introduce a resolution, probably tomorrow, to that general effect, that the matter would presumably be taken up in Committee One, and that the question of sanctions would then possibly be handed over to the Collective Measures Committee.

Ambassador Koo indicated that he felt that the UN had sustained damage by reason of the very adoption of the proposals for these particular peace measures in the first instance. Mr. Rusk explained that it had been found desirable to exhaust all reasonable procedures for effecting a pacific settlement of the dispute, and in response to a pertinent question from Ambassador Koo, said that he considered that the UN position would now be firmer after the offer of the indicated proposals and their rejection by the Communists than if the cease-fire proposal had not been put up at all.

Ambassador Koo indicated that the National Government was quite prepared to fulfill its own obligations with respect to UN measures, and with reference to the question of Formosa, said that it was supposed that there had never been any intention on the part of the United States Government to make fundamental concessions? He said that the National Government viewed the situation in that area as one where the questions of Korea and Formosa were allied.

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[1] For text of the U.N. cease-fire proposals, approved and forwarded to Peking on January 13 by the First Committee of the U.N. General Assembly, see editorial note, p. 76; for text of the reply sent by Chou En-lai on January 17, see editorial note, p. 91.

[2] Warren R. Austin, U.S. Representative at the United Nations.

Mr. Rusk asked whether the National Government considered that the defenses of Formosa were adequate to meet an attack from the mainland. Ambassador Koo, after a brief hesitation, said that they were—but went on immediately to indicate that his answer was predicated upon the assumption that the 7th Fleet would remain in the Formosa Strait and the Nationalist defense would get air and naval support from the 7th Fleet. Mr. Rusk had indicated the difficulties that might be experienced even by modern war vessels in sinking large numbers of wooden junks in what might be in large part a night action. Mr. Clubb asked whether Mr. Rusk was aware of the news item from Taipei to the general effect that certain members of the Legislative Yuan proposed to send a message to the United States Congress through the Chinese Embassy requesting the release of Formosa from the restrictions which had been placed upon it to permit them to attack the mainland. Mr. Rusk said that he had not yet seen such message, and Ambassador Koo said that to date he was in non-receipt of any such communication. Mr. Rusk here said that it was desirable in making any proposal for the release of restrictions on Formosa to be clear just what was being proposed: Did it in fact mean that the proposal envisaged the withdrawal of the 7th Fleet? It was to be noted, he said, that in the period since June 27 Formosa benefited more from the President's directive of that date to the 7th Fleet than did the mainland which possessed the superior military forces. Dr. Koo indicated that the proposals generally should not be taken to mean that the withdrawal of the 7th Fleet was being requested.

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S/P Files: Lot 64 D 563

## *Memorandum of Telephone Conversation, Prepared in the Department of State*

TOP SECRET [WASHINGTON,] January 19, 1951.

Participants: First Party and Second Party.

This memorandum covers a further conversation by long distance telephone between First Party and Second Party mentioned in earlier report of conversations of January 6 and 7 and January 13.

Second Party said he had talked to Third Party regarding the points in the last conversation.

Third Party had expressed the highest degree of interest in the . . . proposal.

Third Party said this should be carried "as far as possible". On First Party's inquiry, Second Party said this meant "to as many places as possible, over the longest radius possible, and in the shortest time possible".

Time was now of the essence, Third Party had emphasized.

The leaflets should contain a long statement in reasonable, dispassionate language.

It should stress that the Chinese cannot trust their official sources of information.

In this connection, Second Party said that Sian-fu had been selected as the capital in event of war. Leaflets should go there.

The message should stress the question: Why did the Peiping régime turn down the pacific, generous cease-fire proposal?

It should emphasize that this rejection served no Chinese interest, only the interest of a foreign power, the U.S.S.R.

It should be under UN sponsorship. It should list the countries supporting UN actions.

It should stress the themes of no territorial ambition and no warlike intention.

It should emphasize that the course chosen by those determining Peiping's choice is unreasonable and contrary to Chinese interest.

It should appeal to the patriotism and national feeling of the Chinese.

It should state that it is not our objective to dictate the form of government in China, and that the form of the present régime is not the cause of our differences.

It should stress that if the Chinese had not allowed themselves to become tied to the Moscow chariot, and got into the reckless Korean adventure, they would by now have realized their aspirations regarding the UN.

It should stress that it is not our object to support Chiang Kai-shek and to force him upon China. It should say that if the Chinese should persist in their present course, they may indeed get Chiang back.

The message should speak of our esteem for the Chinese people and culture. It should stress our desire to spare their cities from destructive bombardment.

It should stress that if the worst comes to the worst the people should clear out of their cities to save their lives.

It should stress that the United States is acting in Korea not on its own but in obedience to the UN.

Second Party said Third Party was trying to get back as soon as arrangements could be made. He said Third Party had communicated to his sponsors in China the information given as to the United States attitude.

Second Party said the . . . proposal was frowned on by Third Party. It would bring fear and dismay to the Chinese people but would not harm or hinder those who would be its real targets.

Second Party quoted Third Party as saying that it would be difficult to make satisfactory arrangements between Third Group elements on the mainland and any of the Chiang old guard on Formosa even if Chiang were out of the picture . . . .

In passing on the above information First Party said the following:

It is manifestly impossible to carry on as a UN venture the propaganda effort suggested. However, it might be possible to state the proposition in such a way as to emphasize the UN angle and deemphasize the U.S. source. It might even be possible to have the message originate with some non-U.S. source, if possible in the UN, and then pass the statement along to the Chinese as one originating in UN deliberations, stating the source.

Under whatever aegis, it would be difficult to make the suggested statements regarding our disinterest in Chiang and the warning that they might get him back. That would have to be done with a light touch and with great indirection if done at all.

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**793.5 MAP/12–2050 : Airgram**

### *The Secretary of State to the Embassy in the Republic of China*

CONFIDENTIAL PRIORITY WASHINGTON, January 20, 1951.

A–71. The following note is the final revision, cleared with Defense and ECA, of the draft note to the Chinese Government re military assistance under the MDAA of 1949,[1] as amended, transmitted in Deptel 533 of Dec. 19, 1950.[2]

If you see no objection to the following note request you deliver it to the Foreign Office. Please inform Foreign Office U.S. Government has no intention of giving immediate publicity to this exchange of Notes and would appreciate similar restraint by the National Government.

"The Government of the United States is prepared to make available to the Republic of China under the terms of P.L. 329, 80th [*81st*] Congress, as amended, certain military material for the defense of Taiwan against possible attack.

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[1] The Mutual Defense Assistance Act of 1949 or Public Law 329, 81st Cong., approved October 6, 1949; 63 Stat. 714.

[2] Not printed; it requested the Embassy's comments on the draft note (793.5 MAP/12–1950).

"This material, and any other furnished under the authority of the law referred to, is transferred on the understanding that it will be used and disposed of pursuant to the following undertakings and that failure to do so by the Chinese Government will be contrary to the understanding of the United States Government, and may be considered by the United States to be cause for the cessation of further deliveries (it being understood that the undertakings contained in the first three paragraphs below apply as well to the material transferred to the Chinese Government under that law since June 27, 1950);

"1. The Chinese Government will use the material to maintain its internal security or its legitimate self-defense.

"2. The Chinese Government will take such security measures as may be agreed in each case between the United States Government and the Chinese Government in order to prevent the disclosure and compromise of classified military articles, services or information furnished by the United States Government.

"3. The Chinese Government agrees to receive personnel of the United States Government who will discharge in the territory under the control of the Chinese Government the responsibilities of the United States Government under this agreement and who will be accorded adequate facilities to observe the progress of the assistance furnished, to confirm that the material furnished is being used for the purposes for which it is provided, and to carry out such other operations or arrangements as shall be mutually agreed pursuant to this agreement. Such personnel, including personnel temporarily assigned, will, in their relations with the Chinese Government, operate as a part of the United States Embassy, under the direction and control of the Chief of the United States Diplomatic Mission.

"4. The Chinese Government will not transfer, sell, or otherwise dispose of the material provided pursuant to the above undertakings, or any other equipment susceptible of military use, without regard to its source, or the time or manner of its acquisition, without first obtaining the assurance of the United States Government that such equipment or material is not required by the United States for its own use or required to support programs of military assistance undertaken by the United States.

"The United States Government would appreciate a written assurance from the Chinese Government of its acceptance of the undertakings in this note."[3]

ACHESON

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[3] For the text of the agreement effected by an exchange of notes at Taipei on January 30 and February 9, 1951, see *United States Treaties and Other International Agreements* (UST), vol. 5 (pt. 2), pp. 1499–1507. The notes were released to the press in Washington and Taipei on April 25, 1951, and were printed in the Department of State *Bulletin*, May 7, 1951, p. 747.

CA Files: Lot 56 D 625

*The Chargé in the Republic of China (Rankin)*[1] *to the Director of the Office of Chinese Affairs (Clubb)*

SECRET TAIPEI, January 24, 1951.

OFFICIAL–INFORMAL

DEAR CLUBB: Your helpful letter of January 9[2] is much appreciated, and I fully understand that FE is confronted by many difficult practical problems from day to day. As you say, we have our own radio facilities, but since arriving here last August I have endeavored to step up our written reporting and reduce telegraphic traffic at the same time. From September through December our *outgoing* volume of telegrams was kept consistently below the August level, although *incoming* traffic from State, ECA, Army and Air Force in December was the highest on record (Navy now has its own station here). Rinden's[3] assignment and speedy arrival are of great help, and my appreciation is indicated in the enclosed letter to FP.[2]

I agree with you that a strange situation exists in respect to military aid for Formosa. You may imagine how the Chinese here interpret a case in which numerous persons in Washington and Tokyo (even Radio Moscow has a figure of $200 millions) are informed on this subject, while Admiral Jarrett[4] and I quite evidently have yet to see the Fox Report of last August. In one of my first telegrams to the Department after arriving here last summer I urged that in our relations with American military and economic officials the principle of full and free exchange of information should be established. I have been through all of this before, and I am convinced that our foreign relations cannot otherwise be conducted effectively. Frankly, however, I was not prepared for a situation in which, after five months, the Embassy and its Armed Services attachés are still studiously excluded from military plans for keeping Formosa outside the Iron Curtain. I consider this subject so vital that, at the risk of repeating much that has been said before, the remainder of this letter is devoted to a review of what seem to me the basic considerations involved.

First, we have the very practical problem of making the Seventh Fleet's mission effective. It has been recognized all along and by all concerned that this island could not be defended successfully against a massive Communist attack simply with the available strength of the Seventh Fleet, the Thirteenth Air Force and the Chinese Nationalist forces as the latter existed on June 27, 1950. Our avowed intention, therefore, was to increase the effectiveness of the forces on Formosa by "selected military aid." During the past seven months, such aid has been limited to one shipload of ammunition. Important as this shipment was and is, the net effect is to leave the island even less well prepared to resist aggression than it was last June. Equipment has suffered wear and tear in the meantime, and not inconsiderable amounts of ammunition and other supplies have been used up in the normal processes of training and maintenance.

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[1] The U.S. Ambassador, John Leighton Stuart, was in the United States; Karl Lott Rankin was Minister and Chargé d'Affaires ad interim.

[2] Not printed.

[3] Robert W. Rinden, Second Secretary of Embassy in Taipei.

[4] Rear Adm. Harry B. Jarrett, Senior Military Attaché, Naval Attaché, and Naval Attaché for Air in Taipei.

We shall be much interested in seeing a copy of the Fox Report, which you say will be sent to us as soon as it is available (it has been available to persons in Tokyo for the past five months). Inevitably the Report is already out of date, which need not have been the case had it been in the hands of our attachés in the meantime; and with the best will in the world it could not have been complete in the first place. We learn, for example, that no provision was made for supplying aviation and motor gasoline and fuel oil,[5] to say nothing of the large incidental expenditures involved in handling, storing, maintaining and utilizing an important amount of military equipment. The Chinese Government is close to the end of its financial tether, and has no funds for such purposes. Moreover, our latest information is to the effect that the entire project is being held up while Tokyo pares down the Fox lists to meet new limits fixed by the Joint Chiefs of Staff (reportedly $50 million for the Chinese Army, $5 million for the Navy and $16 million for the Air Force).

The exact amount to be allotted for military aid to Formosa is far less important, however, than the filling of urgent needs immediately in preparation for a possible attack in March or April. As I remarked in a communication to the Department last spring, we must plan on ". . . getting a supply of 3-inch shells to a friendly army before it runs out of ammunition, rather than forwarding $30 million worth of assorted surplus war material after a critical campaign is lost." One of the most urgent needs at the present moment is for anything up to 250 propeller-driven fighter aircraft, with the necessary spare parts and fuel. Whether or not those aircraft are here and operational at the time of a Communist attack may well determine the fate of Formosa. If they are not here, and this island is lost, someone will have to do a lot of explaining which will transcend such questions as to whether aid to Formosa should amount to $212.2 million or only $71 million, or who should not have been allowed to see the Fox Report. Presumably funds have been available all along which could have covered really urgent needs, and I understand that the fighter aircraft required are available in our mothball reserve.

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[5] A handwritten notation in the margin of the source text read "provision made for small quantities, I believe."

Second in importance to filling urgent military requirements without further delay is the determination of the form of organization the United States should employ on Formosa to assure the effective use of our aid. Indications are that an "Advisory Group" may be established. I have suggested a somewhat different approach, as you may have noted, which would involve starting from where we are rather than from where we left off in 1948 with something less than glory. At the present time I believe that the United States Government has a good team in Formosa. The Embassy proper, the ECA mission and our Armed Services attachés are operating harmoniously and in the closest liaison. We have joint weekly meetings, and files of current telegrams, etc., of each group are made available to key personnel in the other groups. Moreover, we are all in general agreement as to what should be done and how we should go about it.

My past experience under similar conditions convinces me that there is no justification for maintaining both a Military Advisory Group and a staff of Armed Services attachés. In Greece we had both, which resulted in duplication and a consequent waste of good talent, besides causing friction. In Austria, with the Army in occupation, we had no Service attachés at the Legation, which was quite logical. I may add that our three senior attachés here in Taipei agree with me: they and their staffs, expanded as necessary, should either assume such advisory and related duties as may be decided upon, or they should all be absorbed into any new Advisory Group that may be established. Of these two alternatives, I strongly favor the first for reasons which I shall now elaborate.

Not only have we a good team here at present but there has been gratifying progress in reestablishing confidence between the Chinese and ourselves at all levels. Our sizable staff of Armed Services attachés, including as it does a number of highly qualified senior officers, has been particularly successful in this regard, despite the setback which they received at the time of General MacArthur's visit at the end of last July (see, for example, pp. 4–5 of our despatch No. 78, November 1, 1950).[6] Our attachés are now well set up and ready to start the implementation of a military aid program without delay. On the other hand, the creation of an independent Military Advisory Group, with new heads and with all of the trimmings which traditionally adorn such organizations, could easily delay the practical implementation of an aid program by vital weeks or even months.

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[6] Not printed.

Judged by our experience with the FEC Survey Group last summer (see, for example, pp. 5–6 of despatch No. 78, November 1), and subsequently over the fabulous Fox Report, we must expect that any new Advisory Group which may be established here would exclude the Embassy from its counsels if permitted to do so. We might also expect that direct dealings between the Chief of the Group and the Generalissimo (not to mention Madame Chiang) would become the rule rather than the exception, with the result that our China policy would again depend very largely upon the success or failure of the Chiang charm in winning over individual American generals. However this might work out in detail, it would be only prudent to expect the Embassy and the ECA Mission to be bypassed more and more, as the Military Advisory Group increased in size and experience. A picture closely resembling that of our occupation of Japan presumably would emerge, facilitated by the traditionally military and quasi-dictatorial character of the Chiang regime.

I am sure that I need not argue a case with you in favor of retaining the coordinating authority and responsibility for the conduct of our foreign relations in the hands of the Department and the Foreign Service. But all past experience points to the probability of the military taking over if and when they are given huge sums to spend, along with the authority to decide when to withhold information and otherwise act independently of American civilian officials. Failure of the Department to take a stand on this issue in advance will be equivalent to abdicating primary responsibility for the conduct of our relations with China. If it is necessary to do this. then let us proceed with our eyes open and have the record straight at the outset.

The foregoing opinions should not be construed as indicating any lack of appreciation on my part of the enormous difficulties to be overcome in carrying out a new military aid program for China. It will require the best efforts of all of us, civilian and military. Actually, our work might be simplified by letting the Army assume major responsibility, while we sat back to enjoy such commissary, PX, APO, club, transportation, USO and other facilities as they might provide. But I do believe that broad political decisions should govern rather than military. Sound political decisions take account of military and economic factors. Military decisions often are based on purely military factors of relatively short-range character. It seems to me the clear duty of the Department and the Foreign Service to play the central, coordinating role in developing and implementing our foreign policy in all of its phases.

I realize that the questions I have raised must be considered against a background far larger than Formosa or even China. Some of our military minds, both in and out of the Services, may be coming around to a conception not only of handing over Asia to MacArthur but of giving Europe to Eisenhower. I trust that matters will not go quite so far, but at the present time a highly significant pattern is being worked out in Europe which should serve as a useful guide in Asia. I say this chiefly because much more attention quite inevitably will be given to respecting the sovereignty of the several states of Europe. Yet this factor is no less important in Asia, where greatly expanded American military authority, cutting across boundaries and seas, will appear to countless millions as a new form of imperialism. It might even become such in fact.

I may add that I have the very highest respect and admiration for General MacArthur, and that I recognize the desirability of his having authority over any military operations which may involve Formosa, the Philippines and various other areas in the Far East. But the fact remains that MacArthur is not on Formosa, and that we have here a sovereign state which our Government recognizes. I would have no secrets from General MacArthur, but he is an extremely busy man; I would avoid any bottle-neck, in the form of subordinates in Tokyo or elsewhere, between Taipei and Washington, where all major and many minor decisions will have to be made in any case. This would apply to political and economic affairs under any circumstances, as well as to administrative and other military matters not involving actual operations.

I justify this incursion into the military field primarily on political grounds, but I also have in mind an episode of 1942. Operations in Egypt were not receiving a high priority in the allocation of American tanks and planes; our Minister in Cairo, Alexander Kirk, kept hammering at Washington on the urgent need for both if Egypt and the Suez Canal were to be held. Members of his staff were later convinced that but for his efforts Alamein would have been Rommel's[7] victory. Montgomery[8] got the credit, deservedly enough, but who can say what would have happened to the Allied cause in the Middle East had Kirk kept strictly out of the military field?

I have written at some length because of what seems to me the paramount importance of the subject. Please discuss it with Mr. Rusk at an early opportunity.

Sincerely yours, K. L. RANKIN

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[7] General Erwin Rommel, commander of the Italo-German forces at El Alamein in 1942.

[8] Lt.-Gen. Bernard Law Montgomery, Commander of the British Eighth Army in 1942.

CA Files: Lot 56 D 625

## *Memorandum by Robert C. Strong of the Office of Chinese Affairs to the Director of that Office (Clubb)* [1]

SECRET [WASHINGTON,] January 24, 1951.

Subject: Draft Telegram to USUN

The telegram to USUN which we started through clearing procedure on January 17 [2] is now back on our laps after an expression of UNA views.

Mr. Hickerson [3] and Mr. Sandifer [4] oppose an approach to friendly UN delegations by the USUN delegation on the ground that the position of the United States in the UN regarding China is so suspect that any moves regarding Tibet might further injure our chances of getting what we need in connection with Korea.

They therefore suggest as an alternative that approaches be made to the various foreign offices and that this approach be in very general terms. It was pointed out to them by Mr. Meyers [5] that the British and Indian Governments had been approached recently in London and New Delhi on general lines with notable lack of success.[6] Therefore it seemed much more desirable to delineate some of the specific advantages to be gained from a hearing.

I can certainly understand the desire of UNA to avoid any action which might affect adversely our UN position on Korea. However, it does seem unwise to make another general approach to the Indian and French [*British*] Foreign Offices. I am of the opinion that if the matter is to be pursued further at all it is necessary to assure in advance that enough members of the Security Council will at least not vote against us to make it worthwhile to raise the issue in the SC. If our missions are to be able to discuss the matter intelligently with the foreign offices concerned they require a background of the Department's views on possible advantages to be gained in taking the case into the SC and should be authorized to use such of the arguments advanced by the Department as their own opinions and even as the opinion of the Department.

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[1] Clubb forwarded the source text to Livingston T. Merchant, Deputy Assistant Secretary for Far Eastern Affairs, who passed it on to Assistant Secretary Rusk. An attached memorandum in Merchant's handwriting read as follows: "DR Do you want to push Tibet in SC over Hickerson's objection & in face NEA tepidity? I recommend dropping scheme at least for present. LTM". An attached memorandum in Rusk's handwriting read as follows: "LTM—I believe we should go slow on this—because of (1) our Korean embroglio and (2) the forthcoming Kashmir flap. DR".

[2] The draft telegram, dated January 17, instructed the U.S. Delegation at the United Nations to consult with the British and French and other friendly delegations to determine the feasibility of introducing a Tibetan appeal in the Security Council; it stated that the Department was considering sponsoring such an appeal if India and other members of the Security Council were unwilling to do so.

[3] John D. Hickerson, Assistant Secretary of State for United Nations Affairs.

[4] Durward V. Sandifer, Deputy Assistant Secretary of State for United Nations Affairs.

[5] Howard Meyers of the Office of United Nations Political and Security Affairs.

[6] For the Indian attitude, see telegrams 1509 and 1557 from New Delhi, December 18 and 27, 1950, in *Foreign Relations*, 1950, vol. VI, pp. 603 and 611. Telegram 3291 to London, January 6, 1951, not printed, instructed the Embassy in London to ascertain whether or not the British thought any United Nations action feasible (793B.00/1-651). The Embassy replied in telegram 3808, January 9, not printed, that the informal Foreign Office view was that the United Kingdom should support any move on Tibet's behalf by India or another power but that the Tibetan problem was subordinate to larger issues and should not be raised at the moment (793B.00/1-951).

Attached are (1) our draft to USUN of January 17, (2) a revised model by Howard Meyers of UNP of January 18, and (3) a third draft which I have prepared in the hope that it will meet enough of UNA's viewpoint to get clearance.[7]

In the meantime the companion telegram to New Delhi asking Henderson to determine the whereabouts and intentions of the Tibetan delegation is being held up.

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[7] None printed.

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793B.02/1-2551 : Telegram

*The Ambassador in India (Henderson) to the Secretary of State*

SECRET NEW DELHI, January 25, 1951—6 p. m.

1831. I outlined to Bajpai[1] yesterday our current thinking re Tibet as set forth in *aide-mémoire* attached to Depinstr 86 January 6.[2] Bajpai expressed appreciation for this information and asked if I could give him informal memorandum summarizing its contents. This I shall do. Bajpai added GOI at present so immersed in problem maintaining world peace it was giving little thought to Tibet; in fact, he did not recall that Tibet was even mentioned during recent Commonwealth Conference.[3]

HENDERSON

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[1] Sir Girja Shanker Bajpai, Secretary-General of the Indian Ministry of External Affairs.

[2] Instruction 86, not printed, transmitted a copy of an *aide-mémoire* to the British Embassy in Washington, dated December 30, 1950; for text of the *aide-mémoire*, see *Foreign Relations*, 1950, vol. VI, p. 612.

[3] The Prime Ministers of the British Commonwealth countries met in London during the first part of January.

S/P Files: Lot 64 D 563

## *Memorandum of Telephone Conversation, Prepared in the Department of State*

TOP SECRET [WASHINGTON,] January 30, 1951.

Participants: First Party and Second Party.

Second Party called First Party about 9:00 p. m. on January 29. He passed along a message from Third Party.

Third Party had had "quite a bit of contact" with his principals in Peiping. Third Party reported that he had received a letter written by [name deleted]. It was dated two weeks previously. It indicated that those "at the top" had come to accept the view, as relayed by Third Party, that an accommodation between the United States and Peiping was possible and that war was not inevitable (note by First Party—this presumably represents a revision of the estimate . . . to the effect that the United States was obdurately antagonistic toward Peiping and that an accommodation was impossible even were Peiping to make concessions).

Second Party said that Third Party quoted [name deleted] letter as saying that the top level in Peiping took very seriously the suggestion that the Peiping Government should give evidence of a desire to reach accommodation by making the first move. Accordingly Chinese forces in Korea would proceed to break contact and to withdraw in order to provide the foundation for a solution that would save face for everyone concerned. This was the best that the Peiping régime could do inasmuch as "their friends" (the U.S.S.R.) were looking over their shoulders.

Third Party said that the letter from [name deleted] had stated that Peiping felt that the retraction northward of its forces would be the first move and that Peiping would be awaiting the United States' reaction thereto. Peiping was most anxious to get together with the United States and talk. First Party inquired of Second Party whether any indication had been given as to where Peiping wished the talks to take place—in or out of the United Nations. Second Party said that he was sure that either arrangement would be acceptable. Second Party quoted Third Party as saying that the letter from [name deleted] went on to state that it would be necessary for Peiping to "talk big" so as to keep its partner (the U.S.S.R.) happy. This would have to continue.

[Name deleted] letter was quoted as saying that Peiping recognized the problems which would confront the United States in attempting to bring about a detent and an accommodation. The letter was quoted as saying that those within the United States Government attempting to work out this problem with Peiping would also need to recognize that Peiping had similar problems, particularly its problems with its big brother (the U.S.S.R.).

The letter was quoted as emphasizing that those in power in Peiping meant business in this approach. They were said to wish to withdraw completely from Korea and to be determined to avoid an all-out war with the United States.

Second Party passed on the information that Third Party believed that the spokesmen for Peiping meant everything they said regarding the "present United Nations resolution".[1] (This apparently referred to the pending resolution calling for the naming of the Peiping régime as an aggressor). . . .

On January 30, about 10:20 a. m., First Party called Second Party to clear up certain elements in the conversation as recorded above.

The first question raised was as to who was meant by the earlier reference to the "top level" in Peiping. First Party raised the question whether [name deleted] was passing on Chou En-lai's reactions or the views of the Government, including those of Mao Tse-tung. First Party referred to the consideration that it seemed unlikely that a *démarche* of this character would be undertaken without the approval of Mao. Second Party said that the letter as quoted to him had given no direct indication one way or the other as to whether Mao's views were reflected in [name deleted] letter.

The question was raised also as to the meaning of the retraction northward. Second Party said definitely that the letter had declared Peiping's intention to give up Seoul without a fight and to withdraw all of its forces north of the 38th parallel without giving appreciable battle to the UN forces.

Second Party gave two points not specifically covered in the earlier report on the letter. He said he had had them in mind but had forgotten to put them across in the earlier conversation. The first point was to the effect that the domestic situation on the Chinese mainland had deteriorated badly and that the Peiping régime was not confident of popular support in pursuing an intransigent line vis-à-vis the UN and the United States. The second point was that those in power in Peiping were taking a "now or never" attitude—that is to say, they believe they were badly over-committed, that they face the danger of a war which they could not afford to fight and could not successfully conclude and that they believed it necessary to push forward arrangements for a peaceful conclusion as rapidly as possible so as to avert the imminently threatened war.

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[1] Sir Benegal Rau, the Indian Representative at the United Nations, had stated on January 29 that his government had been informed "on the highest authority" that if a condemnatory resolution passed, there was no hope of a peaceful settlement. See U.N. document A/C.1/SR.435, pars. 37–38; see also telegram 1190 to New Delhi, January 30, p. 148, telegram 1888 from New Delhi, January 31, p. 149, and telegram 4195 from London, January 31, p. 1545. For text of the draft resolution introduced by Ambassador Austin on January 20, see editorial note, p. 115; for text of Resolution 498 (V), passed by the First Committee on January 31 and by the General Assembly on February 1, see p. 150.

First Party said that the factor of the timing of Third Party's communications with his principals was most important. He raised the question how long it required for a message to go from Third Party to Peiping. He asked Second Party to get definite information on this.

First Party called Second Party at 7:30 p.m. on January 30. He told Second Party that it was important for him to get three points over to Third Party.

The first point was that the whole record of the communications involving First Party and Second Party was being given closest study at high and authoritative levels in the United States Government. Third Party's report quoting his letter from [name deleted] had been carefully reviewed. It was regarded as of the highest importance.

The second point was that the report of [name deleted] letter had reached the United States Government too late to make it possible to call off or defer the pending action on the resolution to pin the aggressor label on the Peiping Government. This led to a question as to whether the United States attitude might have been different if the message had arrived earlier. First Party said that it was pointless to speculate along this line. Second Party said Third Party had been most gravely distressed over the delay in receiving the letter. He said that Third Party had reflected an understanding that in view of the delay it would be impossible to arrest the course of events at Lake Success. The action would have to move forward. The wheels of government, once set in motion, are almost impossible to stop in a hurry. The United States public posture in relation to the aggressor resolution should be judged on this statement and in light of the statement that [name deleted] letter was taken very seriously.

The third point was that Third Party should expect another important message through the same channel in a very short time.

First Party stressed to Second Party that he should impress upon Third Party that the current message and the important message to follow should be communicated to his principles with all possible speed. First Party also said that those in high authority in this Government understood Peiping's problems of having to take public postures which were quite different from the undisclosed intentions. It was essential that those in determining positions in Peiping should have the same understanding of the problems of the United States Government.

In this light it was important that the action on the aggressor resolution not be interpreted as foreclosing an eventual amicable settlement of issues with Peiping. First Party said that it was not impracticable to speculate that a double chain of events might be set up so as to permit both Peiping and Washington to work their way covertly toward the peaceful solution which both apparently wished to bring about and at the same time to dissimulate their course of action by the public attitudes which their respective situations required.

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## *Memorandum of Conversation, by Charles Burton Marshall of the Policy Planning Staff*

TOP SECRET [WASHINGTON,] January 30, 1951.

Participants: Brig. Gen. Frank Roberts of Mr. Harriman's[1] Staff;
Mr. Charles B. Marshall, Policy Planning Staff.
Time: From 12:00 noon to 2:00 p. m., January 30, 1951.

Marshall explained to General Roberts the background of the conversations involving First Party, Second Party, and Third Party. Marshall explained that he was First Party through most of the reported conversations and that John Davies, a colleague, had been First Party in a small portion of them.

General Roberts asked for the identity of Second and Third Parties. Marshall identified Second Party and gave the credentials of Third Party insofar as he understood them. General Roberts compared the name of Third Party with a name appearing among several words on a card put away in some of his papers. He seemed to be reassured.

General Roberts then proceeded to read the file on conversations. This file was complete except for the report of conversation dated January 19, 1951.

Marshall explained that he was not an expert on internal Chinese affairs and had been selected to make contact with Third Party through Second Party for the reason of a lack of such identity.

General Roberts said he agreed with the analysis indicated in the report of conversations to the effect that Mao Tse-tung was irretrievably tied to Moscow. He said that he believed that the present apparent retraction of Chinese forces in Korea had been forced upon the Chinese by their domestic circumstances and that Mao had not been able to carry through what he had started to do. He did not believe, however, the retraction indicated that Mao was changing his point of view away from Moscow. He said that he believed that in the last analysis that

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[1] W. Averell Harriman, Special Assistant to the President.

Mao would prove to be Moscow's servant and that he would have to be removed before a real understanding could be established between the United States and Peiping.

General Roberts said that he also was loath to believe that Chou En-lai was a patriotic communist rather than a Stalinist communist. He said he regarded Chou En-lai as completely treacherous and undependable from the standpoint of the United States.

General Roberts suggested the desirability of a check on Third Party's reports about particular Chinese concerning whom First Party had made inquiries in the first conversation. He said this was particularly important as to Chang Fa-kwei. Marshall said that Mr. Krentz would be more familiar with these details as to Chinese affairs than he himself was. He had gathered from Mr. Davies and Mr. Krentz the general information that Third Party's appraisals were generally upheld by other information available and indicated reliability.

General Roberts gave the general appraisal that the line of conduct suggested in the reports of conversations was the most important opportunity conceivable for the United States in the immediate future. He said this should be played to the limit and every possibility along this line exploited.

Marshall explained the general point of view developed in the Policy Planning Staff to the effect that Yugoslavia was a most likely target for Russian attack, delivered through the agency of satellites, in the very near future and such a move on the part of the Soviet system had a potential of undermining our whole position in Europe. General Roberts said he agreed with this viewpoint and had just prepared a memorandum to Mr. Harriman dealing with the same prospect. Marshall gave the opinion that what Russia might attempt in the Mediterranean area would be very vitally influenced by the degree and manner of United States commitments in other parts of the world—that is to say, in the Far East. He speculated that Russia had attempted and was attempting to involve the United States in a struggle with China so as to create a situation in which Russia could have the highest degree of freedom in making a move against Yugoslavia. General Roberts agreed to the general relationship between the Chinese-Korean problem and the prospect in Yugoslavia and inferentially in Western Europe. He said he regarded the liquidation of the Korean problem as therefore of the very greatest moment.

General Roberts said he understood and agreed with thoroughly the necessity of a high degree of dissimulation in carrying forward an attempt to reach a settlement with Peiping along the lines indicated in the conversations. He gave the view that it would probably be necessary to take a very select few of the leaders in Congress into confidence.

General Roberts said that he would seek to set up immediately a conversation between Marshall and Mr. Harriman so that Mr. Harriman could be apprised fully of the developments. He would try to arrange an hour's interview for this purpose.

. . . . . . .

General Roberts emphasized his belief that in the long run a *coup d'etat* would be the only avenue to setting up the situation in Peiping to bring about a settlement with the United States.

General Roberts placed great emphasis on the idea of a leaflet drop on Chinese cities—the . . . . Marshall told him of the conversation with Second Party on this subject and of Third Party's views as reported. General Roberts said that something along this line should be worked out at once in his opinion. He strongly favored the idea of starting the leaflet with the statement that "It might have been a bomb". He said he believed this would have a direct and very significant impact on the Chinese mainland. Marshall said others in the Department of State more familiar than himself in internal affairs in China looked with disfavor on the idea of this blunt reference to the idea of a bomb. General Roberts said he disagreed with their point of view.

General Roberts emphasized the importance of getting over to the Pentagon the references in the reported conversations concerning the imminence of attack on Formosa, the training of suicide pilots and submarine crews, and the reported impression on the Chinese mainland that the opening attack in a war might occur in the Far East. General Roberts said he did not agree with this latter view but that he thought that it should be passed along to the Pentagon anyway. He said that he believed that the Russians would open up everywhere at once if and when they finally should have recourse to war.

Marshall said that point had been raised about the importance of getting the strictly military information on to the Pentagon but that he would follow up to make sure that this had been done.

General Roberts and Marshall then discussed the implications of the aggressor resolution in relation to the prospects of a settlement with Peiping. Marshall pointed out that the passage of this resolution, considered imminent and now inevitable, would require as an eventual element in a settlement some action purging the Peiping Government of the aggression charge. This would be difficult to bring about, Marshall said. General Roberts agreed. He said from this point of view the ousting of Mao Tse-tung, in his judgment, was necessary. He said that an ouster of Mao would enable the successor government to disavow all acts taken under the aegis of Mao's premiership and thus would ease the way for clearing China of the aggressor charge.

S/P Files : Lot 64 D 563

### *Memorandum on the Substance of Discussions at a Department of State–Joint Chiefs of Staff Meeting* [1]

TOP SECRET [WASHINGTON,] January 30, 1951—3 p. m.

PRESENT

General Bradley
Admiral Sherman [2]
General Collins [3]
General Twining [4]
Admiral Davis [5]
Admiral Wooldridge [6]
Admiral Lalor [7]
General White [8]
General Landon [9]
Admiral Blandy [*Duncan*] [10]
General Bolte [11]
Mr. Matthews
Mr. Nitze
Mr. Lay
Mr Gleason [12]
Mr. Tufts
Mr. Marshall
Mr. McGhee [13]
Mr. Rusk
Mr. Jones [14]

[Here follows discussion of the situation in the Middle East.]

GENERAL BRADLEY: I suggest that we now take up the Far East and that we take NSC 101/1 [15] as the basis for our discussion.

(After some discussion, it was agreed to use a State Department redraft of NSC 101/1, as revised by the NSC Senior Staff.) [16]

GENERAL COLLINS: Could we discuss the objectives section of this paper for perhaps an hour?

(Mr. Nitze then read paragraph 1*a*: "To avoid the extension of hostilities in Korea into general war with China or the Soviet Union".)

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[1] The source text represents a State Department draft, not cleared with any of the participants. It was drafted by Robert W. Tufts of the Policy Planning Staff and dated February 6, 1951.

[2] Adm. Forrest P. Sherman, Chief of Naval Operations.

[3] Gen. J. Lawton Collins, Chief of Staff, U.S. Army.

[4] Gen. Nathan F. Twining, Vice Chief of Staff, U.S. Air Force.

[5] Rear Adm. Arthur C. Davis, Director of the Joint Staff.

[6] Rear Adm. Edmund T. Wooldridge, Representative of the Joint Chiefs of Staff on the Senior Staff, NSC.

[7] Rear Adm. William G. Lalor, U.S. Navy (ret.), Secretary, Joint Chiefs of Staff.

[8] Maj. Gen. Thomas D. White, Director of Plans, Headquarters U.S. Air Force, designate.

[9] Maj. Gen. Truman H. Landon, Director of Plans, Headquarters U.S. Air Force.

[10] Probably Vice Adm. Donald B. Duncan, Deputy Chief of Naval Operations (Operations). Adm. William H. P. Blandy, former Commander in Chief, U.S. Atlantic Fleet, had retired in 1950. An agreed State–JCS memorandum of the meeting lists Duncan, but not Blandy, among the participants (S/P Files: Lot 64 D 563).

[11] Maj. Gen. C. L. Bolté, Assistant Chief of Staff for Operations, U.S. Army.

[12] S. Everett Gleason, Deputy Executive Secretary, National Security Council.

[13] George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs.

[14] G. Lewis Jones, Director of the Office of Near Eastern Affairs.

[15] For text of NSC 101/1, January 15, see p. 79.

[16] For text of the State Department draft of NSC 101/1, January 17, see p. 1515; the Senior Staff revision is not printed.

**General Collins**: This expresses the thought which we had in mind in paragraph 2*c* of our draft and in my opinion it is a better expression of the thought.

There was general agreement to this view.

**Mr. Rusk**: Although I do not question the language, I believe that there may be a problem here. In the event of general war with both the Soviet Union and Communist China, there are probably a number of things which we would not do in the Far East. Some of these things might, however, be done in the event of a limited war with China or of a general war with China alone. I think we should bear this in mind.

**Mr. Nitze**: We in the Planning Staff think that there is a bearing of our position in the Far East on Soviet intentions with respect to Yugoslavia. Our present disposition in the Far East somewhat increases in our opinion the risk of an attack on Yugoslavia. The Soviet Union, if it extends the war in the Far East, might have a better chance, in its view, of attacking Yugoslavia without incurring a total reaction. If it is our estimate that there is a real risk of an attack on Yugoslavia in, say, 60 to 90 days, then this is another consideration which we need to bear in mind in discussing the Far East.

General agreement on this point of view was indicated.

**General Bradley**: The second objective, paragraph 1*b*, is stated as follows: "To maintain the security of the off-shore defense line of Japan, the Ryukus, Philippines."

**Mr. Rusk**: Are we ready to extend the off-shore defense line to include Australia and New Zealand?

**Admiral Sherman**: The off-shore defense line is a defense line for the U.S. and also for Australia and New Zealand. I do not think that we should specify the latter two countries in this paragraph unless we also specify the United States.

General agreement on objective 2 as drafted was indicated.

**General Bradley**: The third objective, paragraph 1*c*, is stated as follows: "To support the United Nations, preserve solidarity of our principal allies and maintain continued cooperation of other friendly states."

**General Collins**: That is a very worthy objective.

**Admiral Sherman**: It is a very important objective because it bears significantly on our actions in the Far East.

**General Bradley**: The threat to the solidarity of our position in the United Nations and to our relations with our allies is one of the principal threats we face at this time.

General agreement to objective 3 as drafted was indicated.

**General Bradley**: The fourth objective, paragraph 1*d*, is stated as follows: "To support the Republic of Korea as much as, and as long as, practicable, keeping alive resistance if the UN is forced to evacuate Korean territory."

ADMIRAL SHERMAN: I think that statement is satisfactory in view of the qualifying remarks which introduce these objectives. I refer to the opening statement which indicates that all of these objectives must be considered in relation to the national security of the United States.

General agreement was expressed.

GENERAL BRADLEY: The fifth objective, paragraph 1*e*, is stated as follows: "To break the Kremlin control over China or to support the replacement of any government in China which is under control of and in alliance with Moscow."

MR. RUSK: The major problem in connection with this objective is the distinction between overt and covert action. We will have a hard time with some of our friends who do not want to get involved in any civil war in China. I do not think that any change in language is needed but I think we should be aware of this problem.

General agreement was expressed.

GENERAL BRADLEY: The sixth objective, paragraph 1*f*, is stated as follows: "To deny Formosa to any hostile Chinese Government".

MR. RUSK: The question in this objective is to what extent are we willing to pursue this objective to the end of the trail? I think we can distinguish three major attitudes on the question of Formosa: (1) some countries—perhaps most countries except the Philippines and the U.S.—believe that Formosa is not of any strategic importance and that it can be regarded as a pawn to be played in any way that suits their interests; (2) some countries regard the Cairo commitment more seriously than we do—we feel that the Cairo agreement has already been compromised by the actions of the Soviet Union; (3) some countries feel that, although it is important to ensure the physical separation of Formosa from the control of the government on the mainland, the fact that Formosa is the seat of a rival Chinese Government is a troublesome and complicating factor. For example, the U.K., I believe, agrees that we should keep Formosa out of the hands of a hostile power but the U.K. does not see how this can be managed without involvement in internal Chinese affairs under present circumstances. It would be very helpful if the U.K. could agree with us on the strategic importance of Formosa. I am not familiar with the discussions you have had with the British Chiefs.[17] We in State could well use the reinforcement of a decision by the British Chiefs on the strategic importance of Formosa. I wonder whether you see any likelihood of a meeting of the minds with the British Chiefs on this question or do you feel that the British Chiefs express in this connection the Foreign Office point of view?

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[17] Documentation concerning political-military discussions between the United States and the United Kingdom may be found in volume IV in the compilation on U.S. relations with the United Kingdom.

The Joint Chiefs indicated that the British Chiefs probably did express the Foreign Office point of view on this issue.

General Bradley: The problem is also complicated I think by the question of Hong Kong.

Admiral Sherman: I think that the British would not wish to extend the principle that when an ally is confined to an off-shore island we should write them off on that account.

Mr. Rusk: I would also like to inquire what is the mission of the 7th Fleet. In our view if Formosa is attacked and we come to its defense and fail in the attempt to defend the island, a bad political situation will arise. Is our commitment a limited one? For example, what will happen if a landing is achieved and the Communists are advancing with some success? How much do we intend to back up the 7th Fleet in such a situation?

General Bradley: I think we are all agreed that we do not want to commit ground forces to the defense of Formosa. The island should be defensible by the Chinese ground forces with our sea and air support. With a little help from us on equipment the Chinese Nationalists should be able to do the job. However, if they are infiltrated and cannot do the job, the question is what are our responsibilities in that situation. I doubt whether we are responsible for any further action if the island is lost as the result of defection by Chinese Nationalists.

Admiral Sherman: The interposition of the 7th Fleet was announced at a particular time for a particular purpose, namely to localize the fighting in Korea and to prevent the extension of hostilities in the Far East. If the large number of soldiers now in Formosa cannot defend the Island against an attack, even with the help of the 7th Fleet, then I think the same conclusion must apply to Japan and the Philippines. However, I do not accept that conclusion. In the foreseeable future we should be able to deny Formosa to the Chinese Communists with the 7th Fleet, some air support and the Chinese Nationalist ground forces. If we come to the point where this cannot be done, then I think we should revise our position on Formosa.

Mr. Nitze: Does this responsibility in Formosa increase the size of the forces which it is necessary for us to maintain in the Far East? Or is it thought that there would be sufficient notice of an attack so that we could pull the necessary ships back from Korean waters?

The Joint Chiefs indicated that the Formosan assignment did not in general increase the size of the forces which the U.S. must maintain in the Far East. General Collins indicated in addition that the assignment would of course impose some additional requirements for ammunition and certain other matériel.

**Mr. Nitze**: It is my understanding that the Fox Report indicated a requirement for something in the order of $500,000,000 of additional supplies and equipment for Chinese Nationalist forces on Formosa.

**General Collins**: I am not familiar with the Fox Report and did not realize that large additional assistance was required. It is a very difficult job for the Chinese Communists to stage a large amphibious assault.

**Mr. Matthews**: What do we know about the morale situation on the island?

**General Collins**: I have been asking G–2 about this. I have the impression that the situation there is quite good and that the men are well trained.

**Mr. Matthews**: Then it is your opinion that defection does not pose a serious problem?

**General Collins**: No, apparently it does not. We have a man out there who is very familiar with the China situation and I will have our people get his evaluation of the morale situation.

**Mr. Rusk**: That would be a good idea. I think the situation on Formosa does require investigation by someone with experience in China.

**General Collins**: We have been considering a mission by General McClure.[18] As you know, he had a good deal of experience with General Wedemeyer.

Admiral Sherman indicated that the Navy also had a man who might possibly be able to do a useful on-the-spot investigation. Admiral Sherman also inquired why the language of paragraph 1*f* had been revised to read "hostile Chinese Government" rather than "hostile government". Mr. Rusk said he would be glad to delete the word "Chinese".

**Mr. Rusk**: We have the impression that the situation top-side is bad. We have reports that indicate that Chiang's leadership is not the best that could be provided, that his sons are being put in positions for which they are not well qualified, that the Secret Police are intervening in local politics in ways which are prejudicial to the defense of the island etc. Sun Li-Jen [19] is under house arrest and other good men are being employed in the wrong positions. We very much need good information on the situation on the island.

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[18] Maj. Gen. Robert B. McClure, U.S. Army, had served as General Wedemeyer's Chief of Staff when the latter was Commanding General, U.S. Forces in the China Theater and concurrently Chief of Staff in the China Theater by appointment of Generalissimo Chiang Kai-shek, 1944–1946.

[19] Lt.-Gen. Sun Li-jen, Commander-in-Chief, Ground Forces, Republic of China.

**General Collins**: We have a man—Barrett [20]—there on Formosa and I will see to it that we get his evaluation of the local situation.

**Admiral Sherman**: If Sun Li-Jen's loyalty to Chiang is in question, the fact that he is under house arrest may actually contribute to the defense of Formosa.

**General Bradley**: We had better see what information we can obtain on this problem of defections.

**General Collins**: I do not feel myself that Formosa is essential to the security of the United States. I feel sure that we do not need it for airfields—our installations elsewhere are, I believe, adequate for our purposes—and I am not informed about the utility of the ports.

**Admiral Sherman**: I think our objective is to deny the island to a hostile government.

**General Collins**: Our objective is to deny it to the Communists. This is all a part of our effort to stop the spread of Communism in Asia. I can't see that it matters to us what kind of a Government is in control in China so long as that government is not trying to extend its powers throughout the Far East.

**Mr. Rusk**: It had been our impression that a different line of thought had developed in the military establishment. It was our impression that you wanted Formosa as a potential base for offensive operations.

**General Collins**: Okinawa is adequate for that purpose—except possibly, as I indicated earlier, for ports.

**Admiral Sherman**: It is our objective to deny Formosa to the Chinese Communists but I doubt that Formosa is important enough for this to be one of our basic objectives.

**Mr. Rusk**: Then it is not your view that our policy must shift from denial to retention with a view to its possible exploitation as a base?

**Admiral Sherman**: The latter might be important in the event of an open war with the Chinese Communists.

**General Bradley**: If we were engaged in general war with the Chinese Communists, then Formosa would be useful. It would not even then be important enough as a base to warrant a large investment for its capture for that purpose but if it fell into [our?] [21] hands, that would be helpful.

**General Collins**: I have just been informed that a recommendation is being made to the JCS—which is on the JCS Agenda for tomorrow—that the United States provide $237,000,000 in additional aid to the Chinese Nationalists. Our people have trimmed the Fox recommendations rather substantially.

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[20] Col. David D. Barrett, Army Attaché at the U.S. Embassy in Taipei.

[21] The word is illegible in the source text.

**General Bradley**: In summary we do want to prevent an invasion from the mainland. However, if Formosa falls from within, although we would regard that as unfortunate, we would not be able to help in that situation.

**Mr. Rusk**: Then the problem is a problem of denial.

General agreement was expressed.

[Here follows a brief discussion of the situation in Southeast Asia. The meeting concluded with some discussion of the war in Korea.]

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S/P Files: Lot 64 D 563

## *Memorandum by Charles Burton Marshall to the Director of the Policy Planning Staff (Nitze)*

TOP SECRET [Washington,] January 30, 1951.

1. I am setting down here the main points covered in our conversation of January 30 regarding immediate steps in a procedure for bringing the Korean involvement to an early conclusion.

*a.* The first step is to identify the basic assumptions. These are:

(1) That it is in the broad security interest of the United States to liquidate the Korean involvement and get its forces out of Korea in the very near future.

(2) That it is not in the military interest of the United States again to push military ground operations north of the 38th parallel.

(3) That the evidence in hand tends to indicate that the Peiping régime also desires to liquidate the Korean situation and achieve some settlement with the United States along the lines indicated in the First Party-Second Party-Third Party conversations.

*b.* The next step is to get confirmation as to assumptions (1) and (2) from the Joint Chiefs of Staff.

*c.* The third step is to establish a position within the State Department to the following effect:

(1) That the UN procedure—involving long deliberations, formal action such as resolutions, and a multiplicity of committees and commissions, will be too ponderous to bring about the necessary settlement promptly enough and too public to permit the sharp give and take necessary for settling differences in the delicate situation in question.

(2) That covert negotiations will be necessary concurrently with the formalized steps to be taken in the UN.

(3) That for a certain critical period it will be necessary to conduct

formal procedures within the UN and covert negotiations elsewhere on the issues with China.

*d.* The fourth step is to get a message through to Third Party to the following effect:

(1) That the interchanges with Third Party, particularly his information given January 30 regarding a letter from Peiping, is taken with utmost seriousness by this Government.

(2) That the information arrived too late to arrest the processes relating to the resolution for naming Communist China an aggressor.

(3) That Third Party should await a new message of highest importance, due to reach him through the usual channel in the very near future.

*e.* The fifth step is to lay out a position within this Government as the basis for the next communication to be forwarded to Peiping via Third Party. This position, and the relevant message, should be along the following lines:

(1) The Chinese Communist armies should withdraw beyond the 38th parallel and should cause the North Korean forces to do likewise.

(2) In consideration for the above the United States will undertake to ensure that the UN forces would confine immediate operations in the vacated area to patrols and would avoid pressure upon the withdrawing forces.

(3) Upon reaching the 38th parallel the United States will further undertake to ensure that UN forces will come to rest at the 38th parallel. Republic of Korea forces will be put under the same restraint.

(4) The deployment southward of UN forces will begin promptly after arrival at the 38th parallel. Republic of Korea forces alone will be left in the adjoining area with a screening force of non-Korean forces to ensure that Republic of Korea forces will not cross the 38th parallel from the south and that the parallel is not violated from the other side.

(5) Concurrently Chinese Communist forces should conduct a withdrawal through North Korea, leaving behind only such forces as necessary to restrain the North Koreans from violating the border at the 38th parallel.

(6) The United States will undertake to ensure that as the withdrawal above described proceeds air attacks above the 38th parallel will be diminished and the evacuation of UN forces from Korea will also proceed.

(7) Concurrently with the above, covert negotiations between representatives of the United States Government and the Peiping Government for an agreement for formally registering a cease-fire will proceed.

(8) After the registering of the cease-fire, such covert negotiations will be carried forward with a view of settling other questions between the United States Government and the Peiping régime.

2. Steps *b.* and *d.* as described above have been accomplished.

S/P Files: Lot 64 D 563

### *Memorandum by Charles Burton Marshall of the Policy Planning Staff*

TOP SECRET [WASHINGTON,] January 31, 1951.

[Subject:] Memorandum of meeting at which Messrs. Matthews, Rusk, Nitze, Davies, and Marshall were present:

It was fully agreed that the procedure outlined for liquidating the Korean difficulty was correct in principle. Mr. Rusk expressed the view that some cease-fire arrangement along the lines of the December cease-fire proposal [1] must be made as the basis for the mutual withdrawal, however, as otherwise there would be no way to ensure that the Chinese Communists would carry out their part in good faith. Mr. Davies and Mr. Marshall pointed out that this put the Chinese Communists in the position of having to accept formally what they had previously rejected. This would involve a loss of face and make it difficult for them to accept. In a later discussion on this point Mr. Nitze pointed out that the Chinese Communists position could be compared to our own. We were anxious to withdraw but still we would not withdraw unless acceptable arrangements were made for our withdrawal. If such arrangements could not be made, we would have to dig in and wait the matter out.

Mr. Davies gave the opinion that in these circumstances it would be necessary for us to rely on air patrols to ensure compliance with the informal withdrawal. Mr. Matthews expressed doubts of reliability of air observance for such purposes. Mr. Davies said we must put first things first, however, and that the highest desideratum was to be able to get out of Korea gracefully and expeditiously and that this was paramount over nice arrangements about policing a mutual withdrawal. Mr. Nitze said as an alternative we might consider the idea of announcing publicly our intention not to go beyond the 38th parallel if the adversary withdrew beyond the 38th parallel and to faze out a withdrawal matching the adversary's withdrawal beyond the Yalu River with air patrols to observe the enemy's compliance. Mr. Rusk had left before these points were made and the matter was deferred until the next day for further consideration.

It was also brought out it would be necessary to get some evidences of status from Third Party before proceeding much further with the contact. This might be done by testing him out on the proposition of getting the Chinese Communists to release a missionary, Dr. Wallace,[2] recently taken into custody by them. This last suggestion was made by Mr. Rusk.

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[1] For documentation concerning efforts made in December 1950 to obtain a cease-fire in Korea, see *Foreign Relations*, 1950, vol. VII, pp. 1237 ff.

[2] Dr. William L. Wallace, a Southern Baptist missionary, was Superintendent of Stout Memorial Hospital in Wuchow, Kwangsi Province.

It was suggested also that we inquire into Third Party's views as to whether recent military views stem from the position of the Chinese Communists as reported in [name deleted] letter. We should also get his views as to whether intervening events have washed up the possibilities suggested in that letter. The developments as indicated in the letter have not precisely materialized. How does Third Party explain this? It was suggested that the relay of these questions be deferred at least until Thursday so that we would not appear over-anxious.

Mr. Matthews was informed of the plan to have Marshall talk to Mr. Harriman. He gave his approval.

The idea of having someone go out "in ten days or so" to Hong Kong to begin informal discussions with representatives of the Peiping régime was discussed. Mr. Nitze suggested it should be "some one like Marshall". Mr. Matthews agreed. Mr. Davies said that Marshall or whoever else went should not be the one who was in direct contact with the Chinese but should be a source of guidance to the man we already have on the spot.

The question also was raised as to the point in the memorandum to the effect that evidence tended to confirm the reports as given from [name deleted] letter. It was agreed that circumstances did not justify this conclusion inasmuch as the Chinese had not withdrawn above the 38th parallel or evacuated Seoul.

Mr. Nitze suggested that to show the evidence of our good faith in this approach we should tell Third Party that we would delay action in the Collective Measures Committee [3] for a stated period, say, one week and then carry through on that delay.

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[3] Nitze was apparently referring to the Additional Measures Committee, authorized on February 1 by the U.N. General Assembly in numbered paragraph 6 of Resolution 498 (V), printed on p. 150.

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793.00/1-3151 : Telegram

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, January 31, 1951—noon.

4195. Reference statement by Rau, Indian delegate, UN, that if Communist China condemned as aggressor, door will be closed to peaceful settlement.

EmbOff informed . . . as follows: on 27 Nehru sent message through Panikkar [1] to Chou, Chinese Communist FonMin, stating that Chinese should now take initiative in negotiations with UN. Timing most propitious as large number of nations would support CPG if it would only make gesture to show it was earnestly striving for peaceful settlement. Chou's only reply was that adoption by Assembly of any resolution naming China as aggressor in Korea would preclude Chinese participation in any international discussion of FE questions. He referred to speeches in UN by UK, Canada and NZ delegates as indication change in attitude those governments likely to result in adoption of US resolution. He said time had now passed when any statement could be issued.

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[1] K. M. Panikkar, Indian Ambassador to the People's Republic of China.

Scott [2] and other FonOff desk officers thoroughly discouraged over Chou's response and have noted to EmbOff that on no single occasion has CPG itself taken initiative in negotiations. There is striking parallel between CPG negotiations with UN and its negotiations with UK for establishment diplomatic relation; although on occasion CPG has asked for clarification British position, it has never indicated any desire regularize its relationship with UK. Chou's reply to Nehru, in opinion FonOff people, was clumsy and ineffectual attempt influence voting on US resolution.

Only purpose it can serve is to supply Peiping and Moscow and perhaps New Dehli with additional propaganda material. They feel it should now be apparent to all that CPG (*a*) has never intended seriously to negotiate peaceful settlement in FE, (*b*) has never sincerely desired establish diplomatic relations with UK, and (*c*) has never made serious effort enter UN (except on terms it knew would be unacceptable); it has only wished make noises to that effect. Scott reluctantly concludes only answer is to build up position of strength and negotiate from there.

GIFFORD

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[2] Robert Heatlie Scott, British Assistant Under-Secretary of State.

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S/P Files: Lot 64 D 563

*Memorandum of Conversation, by Charles Burton Marshall of the Policy Planning Staff*

TOP SECRET [WASHINGTON,] February 1, 1951.

Participants: Mr. Harriman;
General Roberts;
Mr. C. B. Marshall, Policy Planning Staff.
Time: 11:00 to 11:45 a. m.

Marshall summarized the First Party-Second Party-Third Party conversations.

The following items were emphasized:

Our knowledge of Third Party.
How the conversations came about.
First Party's presentation, particularly as to the identification of Moscow as the enemy, the possibilities of peace with Peiping, and the issues as to Formosa, recognition, and representation in the UN.

Mr. Harriman inquired as to information in the conversations concerning Indochina and internal economic conditions. On the first point Marshall reported negatively. On the second he gave the substance of the [name deleted] letter as reported by Third Party.

Marshall resumed the briefing covering the following items:

Character of Third Group in Peiping.
Secret organization of Third Group in Peiping.
The reported growing sense that China is being led into a hopeless war.
The possibilities of bringing about a defection or *coup d'etat* with emphasis on the latter from the standpoint of the interests of the United States.
The gist of the last communication from Third Party respecting Peiping's disposition to liquidate the Korean situation and as a gambit thereto the withdrawal of Peiping forces to North Korea.

Mr. Harriman expressed greatest interest in the account. He recommended that the possibilities be exploited to the utmost. He said he wished to be kept informed of developments. He gave assent to the suggestion that we elicit some evidence of good faith and power from Third Party and that we be willing to give equivalent evidence in return—possibly through making and going through with an offer to delay proceedings in the Collective Measures Committee.

Mr. Harriman said that it was of the utmost importance to get a reading on the speed of communications between Third Party and Peiping and Third Party's interpretation of the effect of events intervening since the despatch of [name deleted] letter.

The discussion turned to the possibilities of an informally arranged cease-fire to be registered in a formal cease-fire. General Roberts emphasized the essentiality of collaborating with the Pentagon in such arrangements.

General Roberts asked Marshall to recount the conversations regarding the BRICK suggestion. Mr. Harriman expressed great interest in this. He and General Roberts both emphasized that this was a good idea and should be exploited in any event.

At General Roberts' suggestion, Marshall reviewed the direct military implications of the conversations.

General Roberts emphasized the possibilities of mutual face saving as covered in Third Party's discussion of the implications of a *coup d'etat.*

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CA Files : Lot 56 D 625

### *Memorandum of Conversation, by the Director of the Office of Northeast Asian Affairs (Johnson)*

CONFIDENTIAL [WASHINGTON,] February 1, 1951.

Subject: General Situation in the Far East.

Participants: Mr. M. O. A. Baig, Minister of Pakistan
Mr. D. Rusk, Assistant Secretary of State
Mr. U. A. Johnson, Department of State

Mr. Baig stated that he desired to obtain, on a purely personal and informal basis, our views and opinions concerning the general situation in the Far East with particular reference to Formosa and Korea. During the course of the conversation of about one hour, Mr. Baig made the following principal points. The passage by the General Assembly of the resolution on Chinese aggression [1] represented a "Pyrrhic victory" for the United States. It was difficult for the people of Asia to understand why we considered the problem of Korea to be a United Nations matter while we had taken unilateral action with regard to Formosa. The people of Asia consider that by taking unilateral action to prevent Formosa falling to the hands of the Chinese Communists the United States took the first overt act against the Chinese and, therefore, the Chinese intervention in Korea is not entirely unjustified. In the long run the Chinese Communists may be expected to act in accordance with Chinese national interests which are opposed to those of Russia, in particular, in Manchuria. As the U.S. has no direct interest in China as such, it would be to the U.S. interest to permit the Asiatics to make peace between China and the U.S., and thus to inhibit the strengthening of bonds between Peking and Moscow. There was a general feeling in Asia that the apparent determination of the U.S. to continue hostilities in Korea was dictated by considerations of national prestige, we never having had the experience of losing a war and being unaccustomed, as are older civilizations, to making strategic retreats from positions we have once taken. The Chinese situation is, in some ways, comparable to the American Revolution and the U.S. should consider its intervention in Formosa in the light of the attitude it would have taken if a European power would have declared a *cordon*

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[1] For text of Resolution 498 (V), passed by the U.N. General Assembly on February 1, see p. 150.

*sanitaire* around a portion of the United States to have prevented consolidation of the gains of the American Revolution. Pakistan is entirely able to understand why the Chinese Communists were unwilling to accept the December cease-fire proposal as Pakistan, itself, had had bitter experience with the cease-fire in Kashmir [2] where it had accepted such an arrangement against its better judgment. The zeal which the U.S. has demonstrated in the U.N. with regard to Korea contrasts very unfavorably with the apparent indifference which it has shown toward the Kashmir dispute. That dispute is coming up for the third, and probably last, time in the next General Assembly, and the Pakistan Government is going to fall over the issue of Kashmir. With the fall of that Government, the U.S. is going to lose a great and a good friend, particularly, in the present Foreign Minister of Pakistan.[3] India has taken advantage of the cease-fire to build up its strength in Kashmir and because of the situation there, Pakistan has been "neutralized" in the present conflict in Korea. The Minister was also very critical of the U.S. position with regard to the border dispute between Afghanistan and Pakistan.[4]

Mr. Rusk stated that it was the formal position of the U.S. that Formosa was in the hands of China. He explained at considerable length that the considerations which had led the U.S. to neutralize the Island at the time of the outbreak of hostilities in Korea, it being at that time impossible to determine whether the Communists move into Korea was immediately to be followed by aggressive Communist moves elsewhere, and the necessity for assuring that in such an event the resources of Formosa would not fall into the hands of the enemy. He explained the different situation of Formosa and our desire not to embarass any of our friends, who, though sympathetic to the necessity for preventing Formosa falling into the hands of Communist aggressors, would find it difficult to take a public position in the UN on the matter. Mr. Rusk also discussed the nucleus of Chinese administrators and technicians on Formosa, who though not necessarily pro-Chiang, were clearly anti-Communist and would be subject to severe Communist reprisals. He explained that subsequent Intelligence has entirely justified our original view that the North Korean attack was clearly instigated and supported by Communist China and Russia and, therefore, must be considered in the pattern of overall Communist aggression rather than a local Korean or Asian problem. He stated that Intelligence had confirmed, that long prior to June 25, the Chinese Communists had released two divisions of troops from their armies to the North Korean Army to enable it to carry out the attack, and that the USSR had supplied the greater part of the munitions. Therefore, the Chinese intervention in Korea could not be considered as having been provoked by the U.S. policy toward Formosa, but rather as a part of the pattern of Communist aggression and, therefore, indivisible from any aggression anywhere. The United States could not accept the thesis that the Korean problem was solely an Asiatic problem. Aggression anywhere was a world problem and the U.S. was particularly concerned with Korea as a Pacific area problem having a direct relation to the security of Japan. It was impossible to believe that withdrawal of UN and Chinese Communists forces from Korea, as apparently envisaged by the Asians, leaving the country at the mercy of the North Korean aggressors could result in anything but continued turmoil and the falling of Korea to Communism. Mr. Rusk also stated that the difference in the view expressed by the Minister and those of ourselves arose primarily from the apparent difference between the interpretations of what China was up to in this affair. It was our view that the Chinese actions in Korea could not be separated from the overall pattern of Communist aggression, and that whatever policy China's national interest may dictate, the experience with Communist satellites in Europe has shown that once a country came under Communist domination, it was thereafter difficult for it to act except at the dictate of Moscow.

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[2] For documentation concerning the dispute between India and Pakistan over Kashmir, see vol. VI, Part 2, pp. 1699 ff.

[3] Mohammad Zafrullah Khan.

[4] For documentation relating to this dispute, see vol. VI, Part 2, pp. 1929 ff.

The entire conversation was very friendly in tone, but it was obvious that the Minister was not very strongly persuaded to our view.

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S/P Files · Lot 64 D 563

## *Memorandum of Telephone Conversation, Prepared in the Department of State*

TOP SECRET [WASHINGTON,] February 1, 1951.

Participants: First Party and Second Party.
Telephone conversation, 6:40 p. m., February 1, 1951.

First Party asked as to the reported letter from [name deleted]: "Have you seen this letter?" Second Party said he had not. First Party asked: "Do you believe it exists?" Second Party said there was "no question about its existing". He added that he had asked Third Party for an exact statement of the contents. Third Party had told him that the message was cryptic and required interpretation based on advance agreement as to meetings between himself and the source.

First Party said it was important to know what was in the letter itself and what was derived from interpretation. First Party asked Second Party to get Third Party's interpretation as to the effect of intervening events on the intentions as expressed in the letter. Specifically is the general lack of tactical contact in Korea obtaining in the last couple of weeks a reflection of the intention expressed in the letter? He also asked for Third Party's view as to whether Mao Tse-tung was a party to the views expressed in the letter and whether, on the assumption that he was, the situation indicated a veering away from Moscow on the part of the Peiping Government rather than the developing likelihood of a *coup d'etat.*

Second Party said that he had discussed this with Third Party. Third Party had concluded that Mao was a party to the view and that a veering away on the part of the régime rather than a *coup d'etat* was the developing prospective. He added that he thought this was based on interpretation rather than specific information included in the letter.

First Party said "We are in earnest about this. We are willing to show our earnestness." If Third Party needs to get back to his principals that he is talking to sources near the centers of responsibility in this Government he might be told that First Party had given the information that the Collective Measures Committee at the UN was not going to make haste about the business in hand and that the prospect was that there would be no meeting for a week. First Party suggested that if Third Party's principals required other proof a test might be arranged. His principals could give the name of someone in the traditions of their country and specify a time on the Voice of America when this name should be mentioned. The authenticity of First Party's sources could be demonstrated by having the particular name mentioned on a broadcast at that time.

First Party said that a demonstration of authenticity from the other side should be given in the event that Third Party's principals are interested in establishing a contact. First Party said that a U.S. Senator had approached the Department of State asking for help in obtaining the release of William Wallace, a U.S. national and a medical missionary, arrested late in December at Wucho, China. First Party said if there was real earnestness on the part of Third Party's sources this could be manifested by releasing Dr. Wallace and permitting him to proceed to Hong Kong. This would show that Third Party had access to real authority.

First Party said that after the demonstrations, and counter-demonstrations of authenticity had worked properly, the important matter to proceed to was the question of getting down to really substantial talk. He said that authorities in the line of policy in Washington had taken interest in Third Party's communications and were also interested in the prospect of establishing a place and a contact for talking business to the end of liquidating the Korean affair in an expeditious and mutually satisfactory way.

Second Party asked for a recapitulation on the idea of the informal exchange of credentials. He remarked that a code might be set up for further communication with Third Party, if such should be useful, after Third Party's return to China. He suggested this might be done through pre-arranged phases to be used on Voice of America broadcasts.

First Party inquired as to the possible speed of communications between Third Party and his sources. Second Party said that communication could be by cable provided the ideas were clear and simple.

First Party explained that he would be away over the week-end.

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293.0022/251 : Telegram

*The Consul General at Hong Kong (McConaughy) to the Secretary of State*

SECRET HONG KONG, February 2, 1951—3 p. m.

2112. Re Deptel 2027 January 12.[1] Following information developed from interrogation approximately 20 American missionaries arrived Hong Kong during January from Canton, Shanghai, Nanking, Szechuan, Kiangsi and Hunan. Most emphasize these points:

1. Violent suppression during past few months of persons in active opposition to Communists or considered unreliable has strengthened Communist control. Guerrilla activity appears to have decreased. Fear and lack of leadership have paralyzed many opposed to Communist regime. Feeling growing that resistance hopeless unless outbreak world war brings drastic change.

2. Communists concentrating efforts on youth and achieving large measure success. Through combination unceasing indoctrination pressure on non-conformists appeal to partriotism they manipulate youth

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[1] The reference telegram asked the Consulate General to interview missionaries arriving in Hong Kong from the China mainland, particularly with regard to the Communist regime's international intentions, military capabilities, and internal vulnerabilities, and to cable a summary of their views to the Department (293.0022/1–1251).

at will. One measure their success is large number young people volunteering military cadre training. Facilitated by nature Communist system which has eliminated almost all non-Government job opportunities for educated youth. Parents now reluctant discuss anything before their children for fear may be revealed to Communists.

3. During last several months, education in schools secondary to political indoctrination and activity. Suspension all classes for periods up to two weeks in favor political activities not uncommon.

4. Through fear monopolization information and appeal to patriotism, Communists have largely succeeded in neutralizing educated in large cities. Communists realize background this group makes them greatest potential threat to CCP control and therefore incessantly require from them demonstrations support. As Communist settle more firmly in saddle these people increasingly tend make mental accommodations to permit their continued survival under regime. Urban uneducated in contrast under less direct pressure and speak mind more freely.

5. Christians regarded [with] suspicion and under attack even places where no foreigners involved.

6. Dislike for Communism growing. Except among educated class, this not specifically related Communist international policy, but rather depressed economic conditions and increasingly stringent police controls.

7. Anti-American propaganda has not caused people general manifest any dislike Americans although children reported beginning display antagonism some places. Contrast several cases reported Nanking foreigners mistaken for Russians being roughly treated on street. Russians mostly kept out of sight and when do appear have armed Chinese Communist guards.

8. Generally believed that when Americans gone, American-educated Chinese and persons formerly identified with American institutions next object Communist hate campaign.

9. Prices everywhere reported stable and low although when questioned on specific items informants usually recalled some items whose price has substantially increased particularly cotton cloth. Practically all missionaries questioned were poor observers of economic conditions.

10. Persons questioned unable give information beyond that reported above which would shed light on Sino-Soviet military strategy or capabilities.

McConaughy

611.94A/2–251

## *Position Paper Prepared in the Department of State* [1]

SECRET [WASHINGTON,] February 2, 1951.

### REMAINING AGENDA ITEMS OF THE POLITICAL AND SECURITY COMMITTEE OF THE FIFTH SESSION OF THE GENERAL ASSEMBLY

#### PROBLEM

Following the adoption of the United States proposed resolution on Chinese Communist intervention in Korea the Political Committee may decide to consider the remaining items on its agenda. These items are:

A– "Complaint of the Union of Soviet Socialist Republics Regarding Aggression Against China by the United States of America"; [2]

B– "Complaint by the Union of Soviet Socialist Republics regarding the violation of Chinese air space by the air force of the United States of America and the machine gunning and bombing of Chinese territory by that air force, and against the bombardment and illegal inspection of a merchant ship of the People's Republic of China by a military vessel of the United States"; [3]

C– "The Question of Formosa" (Proposed by the U.S.)[4] What position should the United States take with reference to the disposition of these items?

#### RECOMMENDATIONS

1) The United States should support and if necessary propose resumption of the discussion of the Soviet complaint regarding United

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[1] The position paper was sent to the U.S. Mission at the United Nations with a covering memorandum of February 2 from Harding F. Bancroft, Director of the Office of United Nations Political and Security Affairs, to James N. Hyde, a member of the U.S. Delegation to the General Assembly.

[2] This item had been placed on the agenda of the General Assembly at the request of the Soviet Delegation on September 26, 1950, and referred to the First Committee. On November 24, the First Committee took up the question and voted to invite a representative of the People's Republic of China to join in the discussion; it resumed debate on November 27, with the delegation from the People's Republic of China entering during the meeting, and heard statements by the Soviet and United States Representatives. The Committee did not meet again until December 7, when it voted to suspend debate on this item in favor of discussion of the intervention by the People's Republic of China in Korea. For further information, see *Foreign Relations*, 1950, vol. VI, pp. 256 ff.

[3] This item, based on charges made by the People's Republic of China, was placed on the agenda of the General Assembly at the request of the Soviet Delegation on October 7, 1950, and referred to the *Ad Hoc* Political Committee; on December 1, it was transferred to the First Committee. For further information, see U.N. document A/1774.

[4] This item, proposed by the U.S. Delegation on September 20, 1950, was placed on the agenda of the General Assembly on September 26 and referred to the First Committee. On November 15, at the request of the U.S. Delegation, the Committee voted to defer consideration of the subject. For related documentation, see *Foreign Relations*, 1950, vol. VI, pp. 450–589.

States aggression against China (item A– above). This item should be discussed preferably simultaneously with the agenda item on Soviet complaint against the United States regarding the violation of Chinese air space and machine gunning of Chinese territory (item B– above). The Soviet draft resolutions under these two items will presumably be rejected by an overwhelming vote.

2) The United States should support or propose an indefinite postponement of the consideration of the "Question of Formosa".

3) Upon completion of the two items concerning the Soviet complaints against the United States and decision to postpone the "Question of Formosa" the Committee should recess pending the report from the Good Offices Committee and/or the Special Committee on Collective Measures established under the resolution dealing with the Chinese intervention in Korea on the understanding that the Political Committee may be reconvened by its Chairman whenever he considers it necessary.

4) The United States Representative should discuss the recommended course of action with friendly delegations in New York.

### DISCUSSION

1) Last November the First Committee opened its discussion of the Soviet complaint regarding aggression against China by the United States of America, (item A in the problem). Mr. Vishinsky[5] made a lengthy speech and submitted a draft resolution noting the "infringement" of China's territorial integrity by United States units and requesting the Security Council to take steps to ensure immediate cessation of aggression against China by the United States. Mr. Dulles[6] presented an extemporaneous rebuttal and stated that he would reply more fully after study of the Soviet allegations. Prior to his departure from New York General Wu,[7] the representative of the Chinese Communists, released to the press a long statement supporting and amplifying Mr. Vishinsky's charges. Due to the massive intervention of Chinese troops in Korea the Committee decided to interrupt its consideration of this item and concentrate on the Korean situation. The majority of the Committee including the United States agreed that the debate on the Soviet propaganda charges would not be helpful in the efforts for a cease fire in Korea.

The United States supported the inclusion of the Soviet charges in the agenda, and it is in our interest that these charges be rejected by the Assembly as they already have been by the Security Council, so that the record is clear. With the conclusion of the current phase of the Korean case there is little reason for further postponement of the Soviet complaints.

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[5] Soviet Foreign Minister Andrei Y. Vyshinsky led the Soviet Delegation to the U.N. General Assembly.

[6] John Foster Dulles, a member of the U.S. Delegation to the Fifth Session of the U.N. General Assembly.

[7] General Wu Hsiu-chuan, leader of the special delegation from the People's Republic of China to the United Nations in November and December 1950.

2) The Soviet complaint regarding the United States aggression against China overlaps with the item concerning the Soviet complaint of the violations of Chinese air space and machine gunning by the United States. For this reason it would be convenient for the Committee to discuss these two items simultaneously.

It is very likely that the Soviet Union will submit in the Committee a proposal along the line of its proposal in the Security Council (S/1745) condemning the alleged United States actions and calling on the United States to desist from future violations.[8]

3) The Political Committee decided on November 15, 1950 to defer the "Question of Formosa" to the bottom of the agenda. Following this decision, taken on the proposal of the United States, the United States Delegation was instructed to suggest, when the end of the agenda is reached, a further postponement of this item until the 6th session of the Assembly.[9] This instruction was later modified to the effect that the proposal should be for an indefinite postponement.[10] The modification was due primarily to the fact that the current 5th session of the Assembly was extended beyond the customary adjournment time before Christmas; moreover, an indefinite postponement offered greater flexibility.

It is assumed that the present session of the Assembly will not be adjourned at this time. It would still be preferable to advocate an indefinite postponement even though the likelihood of a constructive United Nations discussion of the Formosa question has greatly diminished. The only possible disadvantage of an indefinite postponement would be the opportunity for any member to propose discussion of the item at any time prior to the adjournment of the current session. However, there has been no indication that any Member desires to discuss this item in the Assembly. Moreover, the decision to postpone this item until the 6th Session would offer an opportunity for any Member to insist on the discussion of this question next September when the 6th session opens and would make it somewhat more difficult for the United States to advocate further postponement at that time if such postponement should appear advisable.

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[8] The reference is to a Soviet draft resolution submitted to the Security Council on August 31, 1950 (S/1745/Rev.1), and voted down by the Security Council on September 12, 1950. For related information, see editorial notes, *Foreign Relations*, 1950, vol. VI, pp. 476 and 496.

[9] See telegram Gadel 162 to New York, December 5, 1950, *ibid.*, p. 589.

[10] See footnote 2, *ibid.*

4) It would be theoretically possible for the General Assembly to terminate its current session when it disposes of the three remaining items on the Political Committee agenda, with the understanding that the Good Offices Committee and the Special Committee on Collective Measures against the Chinese Communists, would report to a special session which may be called later on or to the next Assembly. However, this alternative is hardly practical. The calling of a special session and organizing it is a burdensome process. Moreover, it is obviously desirable that both the Good Offices Committee and the Special Committee should be able to maintain a constant contact with the Political Committee of the Assembly as long as the Korean emergency continues. Thus, the current session may continue until the opening of the next session in September of 1951.[11]

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[11] The First Committee began consideration of the two Soviet items on February 2. Ambassador Austin presented a reply to the charges made by Vyshinsky on November 27, 1950; Soviet Representative Semen K. Tsarapkin made a statement charging that U.S. policies toward China since the nineteenth century had been aggressive and imperialistic. For the record of the meeting, see U.N. document A/C.1/SR.439.

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S/P Files : 64 D 563

## *Memorandum of Telephone Conversation, Prepared in the Department of State*

TOP SECRET [WASHINGTON,] February 2, 1951.

Participants: First Party and Second Party.
Telephone conversation, 6:15 p. m., February 2, 1951.

Second Party called at 6:15 p. m.

He said the last message—given the evening before—had been transmitted by Third Party to his principals. It had gone by mail.

He said he had discussed critically with Third Party his information and his interpretations. Third Party said his interpretations were based in large part on [name deleted] references to conversations between him and [name deleted] . . . and before Third Party had contacted First Party through Second Party.

He had at that time told [name deleted] the following three things in a report on the United States situation.

First, the United States is economically strong. It is not heading for an economic debacle as the Stalinists reported.

Second, it was not true that the United States was headed for war . . . . The United States policy is a matter of relationships between two cliques. One is the MacArthur clique. This is the war clique. It is running the Korean war. It is friendly and devoted to Generalissimo

Chiang Kai-shek. The other is the Acheson clique. It has little control over the war but it does run the foreign policy. It is not devoted to Chiang. It would prefer peace to war with China. If the MacArthur clique were in control, China would already have been bombed. The fact that it has not been bombed shows that the MacArthur clique does not entirely control the policy and United States intentions must not be interpreted entirely on the basis of what the MacArthur clique says. The Wake Island conference [1] did not result in the MacArthur clique's imposing its will on Truman, despite reports to the contrary in Peiping. The clique with which peace is possible is in power in foreign affairs. It is necessary to understand that United States policy is run by cliques much like the Chinese.

Third, there would be no advantage to China in bringing on an all-out conflict. Quite the contrary.

Second Party said that Third Party assured him that his sources went directly up as far as Chou En-lai. He is certain that Mao is also knowledgeable to the point of view expressed in the communications. Third Party said it would be necessary to know the subtleties of Chinese politics in order to understand this. One is not necessarily in or out of something. He might be half involved in two different positions. That would be possible with Mao. He might be playing along with the dissidents and yet in the end might swing over with the Stalinists in a showdown. Chou En-lai is firm with the Third Group on the war issue in event of a showdown. He and Mao probably understand each other perfectly on all this. His belief that Mao knows about it is stronger than a conjecture and not as strong as a certainty.

The letter from [name deleted] is probably a reflection of the earlier [name deleted] rather than a flash on the further information communicated by First Party in the first interview, Second Party said.

Third Party cannot use cables for such information as given him in these conversations. He has arranged with his sources for a simple code to flash a few prearranged ideas but nothing as complex as the ideas given in these conversations. To attempt them by cable would be insecure. The Stalinists would be privy to all the information. His principals would be compromised. The whole prospect would be jeopardized.

. . . In the United States Third Party is acting alone. There is no contact that would have security except by mail. Third Party said that these messages from First Party would precipitate a decision as to a defection of the régime from Moscow or a *coup d'etat*. If the answer should be yes on the idea of talks, then the defection would appear imminent. If it were no, then a *coup d'etat* would be necessary and would occur right away, in his opinion.

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[1] For documentation concerning the conference at Wake Island between President Truman and General MacArthur on October 15, 1950, see *Foreign Relations*, 1950, vol. VII, pp. 946 ff.

First Party said that a good idea might be to fly Third Party to London at once to let him get off his messages and get an answer and then return him if necessary to the United States to commence his journey home.

Third Party [*Second Party*] said he would inquire into the possibilities at once.

First Party said he would inquire into the possibilities at the Government's end.

They should match information as soon as possible, it was agreed. First Party said an alternate would call Second Party about this over the week-end, as he, First Party, would be away.

Third Party was reported as saying that the suggestion of talks as given by First Party would arouse great response. He regarded it as of highest significance.

Third Party wanted precise information on Dr. Wallace, the missionary in duress. Did we know the precise time of the arrest and the charge? Did we know what Wuchow was the scene of the arrest? Was it Wuchow in Kwang-si province or where? He was sure it would be possible to arrange a release as soon as he could get a cable through, provided there was interest in talks on the part of Peiping.

Third Party would have to make up a story to explain the cable regarding talks and springing the missionary. He would have to say that he had met a man . . . . The man returned and said someone in the Government of the United States wanted to talk. He, Third Party, had declined. The others were insistent. Finally someone went to a distant city to approach him. The man was from Washington. Talks were arranged. He met a high official. (He said Dean Rusk would be the ideal one). This official told him the true state of United States opinion and policies. He urged Third Party to get a message through. Third Party did because he believed it in the interest of his government (Peiping) to do so. Third Party said it would probably be well to make an arrangement for him to see Rusk or someone like him . . . briefly as a cover for the story, as he was watched. He would have to be able to tell a story that would stand up. He said all this was necessary as his cable would be sprung in the midst of government circles necessarily. The occurrence would have to be explained.

. . . . . . .

*Note by First Party:* During the week-end the following points should be followed up on:

The desirability and the feasibility of getting Third Party to London to get his message through.

The question of a possible contact in London.

Transmission to Second Party of complete data on Wallace as requested.

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S/P Files: 64 D 563

*Memorandum of Telephone Conversation, Prepared in the Department of State*

TOP SECRET [WASHINGTON,] February 3, 1951.

Participants: First Party and Second Party.
Telephone conversation, 3:30 p. m., February 3, 1951.

First Party inquired whether there was anything new to report. Second Party answered "no".

First Party then expressed our misgivings about Third Party's itinerary and plans for proceeding to London as seeming to be too involved and slow. First Party was turning over in his mind possibilities for a more direct and quick means of communication. He suggested for consideration the following possibilities:

1. The venue to be Hong Kong.
2. Third Party to designate a contact man there.
3. We would designate a non-official intermediary—like Second Party—who is already there or would be sent there.
4. Third Party informed by direct letter or letter of introduction to his contact man of the *bona fides* of our intermediary.
5. Or, alternatively, our intermediary would proceed to Hong Kong and wait for someone to come to him and identify himself.
6. Our intermediary might even be willing to proceed from Hong Kong on an over-night trip to talk face to face with one or more really authoritative persons.
7. We would probably also be prepared to back stop our intermediary on the spot by sending someone like First Party to be in the offing and in direct touch with Washington. Whoever we sent would be there on some sort of normal official business.

The possibility was also advanced of Third Party proceeding to London by way of Hong Kong, stopping off there to expedite matters. Another suggestion was the possibility of our transmitting to Hong Kong through our own channels a message from Third Party which could then be put in the form of a letter and mailed from there.

First Party emphasized that the foregoing were all merely suggestions designed to speed up matters.

Second Party stated that he would discuss these possibilities with Third Party, but doubted that Third Party could designate a point of contact in Hong Kong. This was so because Third Party would not know his opposite number in Hong Kong; Third Party's lines of communication are vertical, not horizontal. . . .

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S/P Files : Lot 64 D 563

## *Memorandum of Telephone Conversation, Prepared in the Department of State*

TOP SECRET [WASHINGTON,] February 5, 1951.

Participants: First Party and Second Party
Telephone conversation, 5:00 p.m., February 4, 1951

Second Party stated that he had discussed questions brought up in telephone conversation of February 3 with Third Party. Third Party says position of his group is very delicate and any change in his plans might look suspicious. For this reason it would be impossible for him to proceed to Europe via the Far East. . . .

Third Party says that it would be no help to have someone in Hong Kong (or elsewhere in FE) at present, as several weeks will be required for Peiking tempers to cool over the aggression resolution and it would not be profitable to initiate any talks now.

As to Formosa, Third Party feels that March and April will be the critical months and that he's confident that no decision on an attack will be made before he (Third Party) gets back to Peiking. Chou En-lai and others realize that the Formosa attack is a dangerous undertaking which could fail; therefore they will be willing to explore means of settling the problem other than by attack. However, if we use Chiang's forces against the mainland, all hope of a coup d'etat or a defection from Moscow will be irretrievably lost.

As to the prospect of mutual phasing out of operations in Korea, Third Party feels that this is now complicated by the aggression resolution and that it may have to be a rather long drawn out process, as the Chinese must now save some face and must bear in mind Big Brother looking over their shoulders. However, Third Party feels that the situation is quite static and can be stalled along without too great dangers.

Third Party feels that it will be of continuing importance for Peiking to feel that there are some people here who understand what is politically possible to the regime, and who understand that Big Brother cannot be disposed of over-night.

Questioned as to whether the foregoing views of Third Party might not represent a bit of Oriental price-raising by Second Party [*Third*

*Party*], Second Party was inclined to agree. (*Note:* To counter any such bargaining tendency it might be advisable to allow a few days period without any indication of further interest.)

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UNA Files : Lot 71 D 440

*Memorandum of Conversation, by the Assistant Secretary of State for United Nations Affairs (Hickerson) and the Assistant Secretary of State for Inter-American Affairs (Miller)*

CONFIDENTIAL [WASHINGTON,] February 5, 1951.

Subject: Korea; Formosa; Implementation of Uniting for Peace Resolution; Currie Plan

Participants: Dr. Roberto Urdaneta,[1] Minister of War of Colombia
Dr. Don Eduardo Zuleta-Angel, Ambassador of Colombia
The Secretary of State
Mr. Edward G. Miller, Jr., Assistant Secretary of State
Mr. John D. Hickerson, Assistant Secretary of State

The Colombian Ambassador brought Dr. Urdaneta in to call on the Secretary by appointment at 11 o'clock this morning. The Secretary opened the conversation by congratulating Dr. Urdaneta for the outstanding job which he has done as Chairman of the Political Committee of the General Assembly, and the patience and skill with which he has handled a difficult situation.

Dr. Urdaneta expressed appreciation for the Secretary's comments. He said that it had been a long hard session and that he hoped very much that the work of the committee could be completed by Wednesday or Thursday. Dr. Urdaneta said that he felt that the General Assembly should not formally adjourn but that it should recess to meet again on the call of the chairman. The Secretary and Mr. Hickerson expressed full agreement with this and added that Senator Austin had been instructed to strongly support this course of action.

Dr. Urdaneta said that last Friday [2] on the suggestion of the Soviet representative on the Political Committee and after consultation with Ambassador Gross,[3] he had sent a telegram to Chou En Lai informing him that the Committee was that day holding its first meeting to discuss the Soviet charges of U.S. aggression against China and that the second meeting of the Committee would be held on Tuesday, February 6.[4] He said that he did not anticipate that the Chinese Communists would send a representative back to Lake Success to take part in these discussions. He added that the Committee had given the Chinese Communists every consideration and every opportunity to be represented and that they had chosen to send General Wu back to China when they knew the items would shortly be coming up.

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[1] Dr. Roberto Urdaneta Arbelaez was Chairman of the First, or Political, Committee of the U.N. General Assembly.

[2] February 2.

[3] Ernest A. Gross, U.S. Deputy Representative to the United Nations.

Dr. Urdaneta inquired what attitude the United States would take in regard to the Formosa item on the agenda. Mr. Hickerson stated that when the item is reached, the U.S. Representative will propose that the Committee postpone indefinitely any further discussion of this matter but leave it on the agenda. Under this procedure the Interim Committee could, if it considered it desirable, study the matter and make recommendations to the next regular session of the General Assembly or indeed to a special session if one should be held. Dr. Urdaneta said that in his opinion this was a wise course. He added that he hoped that Senator Austin would in his statement refer to the desirability of a plebiscite. He said that last autumn he mentioned the desirability of a plebiscite to Vyshinsky who said that this was completely out of the question since Formosa had been settled by the Cairo Declaration and that, moreover, 90% of the people of Formosa strongly supported the Chinese Communist Government. He said that he then inquired why if that were true Mr. Vyshinsky could have any objection to a plebiscite but he did not receive a good answer to his question. Mr. Hickerson said that Senator Austin's statement would refer to the Secretary's opening address to the General Assembly on September 20[5] when the Secretary suggested that in connection with the consideration of the Formosan problem the General Assembly might wish to endeavor to ascertain the wishes of the Formosan people themselves. He added that specific mention of the plebiscite might well touch off a discussion that would unduly prolong the work of the Committee.

[Here follows discussion of unrelated matters.]

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[4] On February 4, Chou cabled Urdaneta requesting that the text of the speech which Wu had been prepared to deliver at the First Committee in November 1950, in support of the Soviet complaint, be read at the February 6 meeting and printed and distributed as an official document by the U.N. Secretariat; the text of the cable was sent to the Department in telegram 1117 from New York, February 5 (795.00/2-551). Telegram 688 to New York, February 6, instructed the U.S. Delegation that, since the Soviet charges were directed against the United States, the delegation should not participate in any debate on this issue and should abstain on any decision (320/2-651). At the First Committee's meeting on February 6, Urdaneta ruled that the text of Wu's speech should be circulated; the Committee upheld his ruling and rejected a Polish motion that the speech should also be read to the Committee. For the record of the meeting, see A/C.1/SR.440; the text of the speech was circulated as A/C.1/661.

[5] The text may be found in the Department of State *Bulletin*, October 2, 1950, pp. 523–529.

794A.5 MAP/2-551

### *Memorandum by the Director of the Office of Chinese Affairs (Clubb) to the Special Assistant for Regional Programs in the Bureau of Far Eastern Affairs (Parelman)*[1]

SECRET [WASHINGTON,] February 5, 1951.

Subject: CA's Position Regarding Projected Grant Military Assistance to Formosa

Reference is made to CA's memorandum dated January 25, 1951, approving the allocation of $71.2 million for military aid to Formosa for FY 1951 with certain reservations, and to FE's memorandum dated January 27[2] suggesting the deletion of CA's first reservation (that no commitments or deliveries to the Chinese be made until certain basic policy decisions respecting Formosa have been reached) This approval can be taken to cover the $50 million allocation set forth in the Secretary's letter of January 30, 1951 to the Bureau of the Budget.[3]

In suggesting the need for basic policy decisions respecting Formosa prior to undertaking any commitment to the Chinese respecting the implementation of the Fox Mission recommendation, CA had in mind the following considerations:

1. The Fox Mission recommendation for the Chinese Army and Air Force are based on the assumption that the Seventh Fleet will continue available for the defense of Formosa;
2. The present policy under which the Seventh Fleet is available for this purpose is temporary and nominally contingent upon developments in Korea;
3. Without *continued* availability of U.S. naval and air forces for its defenses, there is at least a strong possibility that Formosa would fall to the Communists, notwithstanding the provision of military equipment and advice.
4. Consequently, supplying such aid might well result in merely increasing enormously the Communist loot on Formosa if a later decision is made to withdraw U.S. naval and air support.

There is thus a certain logical relationship between decisions respecting the Seventh Fleet and implementation of the Fox recommendations. It seems worth pointing out that if we do not arrive at a decision respecting the former before proceeding with the latter (and it may, of course, be impossible to follow such a logical sequence), this logical relationship will operate to make our implementation of the Fox recommendations largely prejudge our decision respecting the Seventh Fleet and to make any subsequent solution for Formosa through the UN or through negotiations relating to a Korean settlement much more difficult, if this should become desirable.

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[1] The memorandum was directed to Parelman via Deputy Assistant Secretary of State for Far Eastern Affairs Livingston T. Merchant; the source text was seen by Merchant but bears no indication that Merchant approved it for transmittal to Parelman.

[2] Neither printed.

[3] Not printed.

It is with these long-range consequences of the active implementation of the Fox Mission recommendations in mind, that CA would suggest avoiding commitments to the Chinese, or actual delivery of supplies, except in so far as such commitments may be supported by basic decisions and estimates regarding Formosa—some of which are still to be made.

CA is drafting a letter to the Defense Department raising certain questions regarding the basis for their current Formosa military aid programming. For example, it would be interesting to know what Defense expects to achieve with the large assistance programs contemplated for Formosa: $71.2 million programmed for FY 1951, $212 million recommended informally for FY 1952, and additional sums for FY 1953 through 1955. Is all this assistance purely for the defense of Formosa as contemplated in NSC 37/10?[4] If so, how would Defense justify this aid in the light of (1) the Fox Report, indicating that a continued commitment of U.S. naval and air forces is necessary for the Island's defense, and (2) NIE 10[5] (concurred in by Defense), which states that an invasion is unlikely as long as these U.S. forces are present.

The program for FY 1951 could perhaps be justified at this time as an interim measure, but until basic policy decisions respecting Formosa are made, implementation of this program will, in CA's opinion, necessarily lack full logical justification. CA would not recommend that the policy reservation mentioned in its memorandum of January 25 be attached to FE's approval of the allocation of funds for FY 1951, if the effect of such a reservation would be to delay implementation of the FY 1951 program. However, it is suggested that any figures used in programming for FY 1952 (or later) be considered as tentative in nature, and that formal FE approval be withheld until our questions have been answered and basic Formosa objectives clarified.

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[4] For text of NSC 37/10, August 3, 1950, see *Foreign Relations*, 1950, vol. VI, p. 413.

[5] Dated January 17, p. 1510.

S/P Files: Lot 64 D 563

### *Memorandum for the Record of a Department of State–Joint Chiefs of Staff Meeting*[1]

TOP SECRET [WASHINGTON,] 6 February 1951—3 p. m.

PRESENT

| | |
|---|---|
| General Bradley | Admiral Lalor |
| General Collins | Colonel Carns[3] |
| Admiral Sherman | Mr. Jessup[4] |
| General Haislip[2] | Mr. Matthews |
| Admiral Radford | Mr. Nitze |
| Admiral Duncan | Mr. Rusk |
| Admiral Davis | Mr. Tufts |
| General Bolte | Mr. Ferguson[5] |
| General Landon | Mr. Reinhardt[6] |
| General White | Mr. Gleason |
| Admiral Wooldridge | |

[Here follows a discussion of the situation in Korea.]

8. The discussion turned to the possibility of exploiting or creating fissions in China. It was stated that the Chinese Government still lacks cohesion. There are the Chinese Nationalists on Formosa, some elements which are both anti-communist and anti-Chiang Kai-shek, and some anti-Soviet elements in the Peiping regime, all of which represent divisive forces. However, any federation of these elements is difficult, and each of the several groups is affected by a certain amount of inertia. It is a little early to judge, but there are indications that the action in Korea is causing strain in Peiping. Three or four weeks ago, it looked as if the communists might want to get out of Korea. The Korean affair is less popular in China proper than in the capital. The Communists still have the only tight political organization in China, and in spite of some dissension, they are holding together. Something new must happen before we can expect a real split in the party and if we can't bring about the downfall of the Peiping regime within a year or two, it will probably last for a long time.

[Here follows a further discussion about the situation in Korea;

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[1] The source text represents an agreed State–JCS memorandum of this meeting, which was the third in what became a regular series.

[2] Gen. Wade H. Haislip, Vice Chief of Staff, U.S. Army.

[3] Col. H. J. Carns, U.S. Army, Deputy Secretary to the Joint Chiefs of Staff.

[4] Philip C. Jessup, Ambassador at Large.

[5] John H. Ferguson, Deputy Director of the Policy Planning Staff.

[6] G. Frederick Reinhardt, Director of the Office of Eastern European Affairs.

there was some discussion related to Japan. During this discussion, Mr. Rusk left the meeting.]

13. It was recognized that conditions have changed since the Joint Chiefs of Staff had submitted recommendations on courses of action in the Far East.[7] A Department of State representative announced that a new paper on Far Eastern policy was being prepared [8] and that it will cover the points recommended previously by the Joint Chiefs of Staff. It was thought desirable to discuss several of them at this meeting, i.e., naval blockade of China, reconnaissance over Chinese territory, and the possibility of employing Chinese Nationalist troops against Chinese Communists.

*Blockade*

14. It was noted that the Joint Chiefs of Staff considered a naval blockade should not be established against China unless UN troops should be forced out of Korea. It was explained that a naval blockade of China would not apply to Port Arthur but would apply to Soviet ships in Chinese waters. The conferees were reminded that the Soviets have respected the UN blockade of Korea and may well follow the same pattern if a UN blockade is established against China. Unilateral blockade of China by the United States would not be desirable since it is an act of belligerency, it would mean an acceptance of war with China and it might not be respected by the Soviets.

15. It is still possible that means can be found to establish an effective pacific blockade (i.e., an economic blockade with naval units assisting in its implementation). Because of the volume of Chinese coastal traffic, a pacific blockade could not be made entirely effective.

16. Unless the British were partners to a blockade, it would be difficult to prevent the misuse of Hong Kong. Obstacles to the effectiveness of controls at the source are the ability of the Chinese to transship cargoes delivered to ports in Southeast Asia and shipments by rail from Port Arthur. To combat the latter, we would have to consider destroying the rail line by gunfire, air bombardment, and possibly by shore raiding parties. In the event it were decided to enforce a blockade, it could be done without limiting our naval activities in support of Korea, Formosa, and Hokkaido. It was stated that we are seeking through the UN the adoption of selective restrictions on exports to Red China.

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[7] The reference is to NSC 101, January 12; for text, see p. 70.

[8] The reference is to an early draft of what eventually became NSC 48/5, May 17, 1951. For the sections concerning Korea, see p. 439. For the complete text, see vol. VI, Part 1, p. 33.

*Reconnaissance*

17. Views on the subject of air reconnaissance in the Far East which had been expressed previously by the Joint Chiefs of Staff were summarized. It was noted that U.S. military forces in the Far East are now respecting Chinese territorial waters and are not overflying Manchuria. It was noted that restrictions relative to reconnaissance along the China coast should be removed. The Department of State will study the matter of reconnaissance over Manchuria.

*Employment of Chinese Nationalists*

18. Extracts were read from a J.C.S. study [JCS 2118/15] on the subject which is being referred to General MacArthur for comment.[9]

(At this point General Collins entered the meeting)

It was noted that the J.C.S. paper was written at a time when it seemed we would be forced into a beachhead around Pusan. It appears now that from a military viewpoint circumstances do not warrant using Chinese Nationalist forces on the mainland of Asia. Our actions now are based on the premise that we should do nothing to spread the war outside Korea. If the present hostilities with China are extended beyond Korea, many possibilities will be opened up such as blockade, amphibious raids, and air action against the Chinese mainland. It was noted that if our forces should be attacked outside Korea, we should retaliate. It was noted that a mission should be established on Formosa if MDAP aid is granted.

[Here follows a brief discussion concerning Southeast Asia; the meeting concluded with a discussion of policy toward Yugoslavia.]

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[9] The text of the study, revised to take account of MacArthur's comments, is printed on p. 1598; for MacArthur's comments, see his telegram C-56199, February 23, p. 1579.

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## *Editorial Note*

On February 7, 1951, the First Committee of the United Nations General Assembly rejected a Soviet draft resolution (A/C.1/637), requesting Security Council action to stop alleged United States aggression in China, by 49 votes to 5, with 3 abstentions, and another Soviet draft resolution (A/C.1/660), requesting Security Council action to stop alleged United States violations of Chinese air space and other illegal acts, by 50 votes to 5, with 2 abstentions. For the record of the meeting, see United Nations document A/C.1/SR.441. At a meeting that afternoon, the Committee approved, by 38 votes to 5, with 8 abstentions, a motion by the United Kingdom Representative to adjourn debate on agenda item 71, the question of Formosa; for a record of the meeting, see United Nations document A/C.1/SR.442.

On February 13, the two Soviet draft resolutions were reintroduced in the General Assembly (A/1776 and A/1777) and defeated by votes of 48 to 5, with 3 abstentions, and 51 to 5, with 2 abstentions. For the text of a statement opposing the resolutions, made before the General Assembly by United States Deputy Representative Ernest A. Gross, see the Department of State *Bulletin*, February 26, 1951, pages 355–356.

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CA Files: Lot 56 D 625

### *Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*

SECRET [WASHINGTON,] February 7, 1951.

Regarding your questions about our Formosa policy, I believe FE should operate on the following basis:

(1) The President has given the Seventh Fleet a mission to protect Formosa against attack and can be expected to continue that mission indefinitely into the future in the absence of a major change in the situation in the Far East. This mission involves the heavy U.S. commitment which requires maximum assistance from the Island itself. Our military assistance program should be pressed vigorously in order to put the Island in the best possible state of defense.

(2) Our military assistance program will probably not terminate with the termination of the mission of the Seventh Fleet. As a matter of fact, the mission of the Seventh Fleet could more readily be terminated if the forces on Formosa are in the best possible position to defend themselves.

(3) There is full policy basis for the vigorous pursuit of a military assistance program for Formosa within the limits of available funds and matériel.

(4) The priority of the Formosa program may require adjustment from time to time. Presently, its priority should be related to the United States commitment represented by the mission of the Seventh Fleet. If the mission of the Seventh Fleet changes, the priority may go up or down, depending upon the circumstances at the time.

794A.00/2-851

### *Memorandum of Conversation, by Burton Kitain of the Office of British Commonwealth and Northern European Affairs*

TOP SECRET [WASHINGTON,] February 8, 1951.

Participants:

Prime Minister S. G. Holland[1]
Mr. A. D. McIntosh, Permanent Secretary of External Affairs
Sir Carl Berendsen, New Zealand Ambassador
Mr. George Laking, Counselor

FE—Mr. Dean Rusk
FE—Mr. J. Emmerson[2]
NA—Mr. U. A. Johnson
BNA—Mr. L. Satterthwaite[3]
BNA—Mr. B. Kitain

Before commencing the main subject of the conversation, Mr. Rusk wanted to clarify a point with respect to Formosa made in his previous conversation with the Prime Minister.[4] Mr. Rusk indicated that Formosa had a political as well as a military significance for the United States. In its latter context Formosa in Communist hands would provide a springboard for attack on the Philippines. As a political consideration, however, it must be remembered that Formosa was actually in the hands of the people we had in mind at Cairo. Whatever might be thought of Chiang Kai-shek, the vision of thousands of Chinese being executed by the Communists because of their friendliness toward the United States weighed heavily in our thoughts. It is therefore important to separate the fact of the physical possession of Formosa from the political problem of its entry into the United Nations, recognition of the Peiping regime, and the eventual disposition of Formosa.

The Prime Minister stated that he was extremely interested in learning American thoughts concerning sanctions against Communist China. Mr. Rusk stated that it was difficult to explain to the American public the present state of "half-war, half-peace". We do not, however, desire war with China. Our attitude is to have the question dealt with in the United Nations in order to remove the focus of prestige considerations from Washington while taking measures designed to make the aggression unprofitable to the aggressors. Although it is hard to hurt an area as large and sprawling as Communist China, we feel that there are nevertheless certain items of a strategic nature (armaments, petroleum products, capital equipment, strategic metals, etc.) which, if cut off completely from the Chinese, would raise the cost of aggression. We prefer to have imposed an embargo of selected items with which everyone would cooperate rather than a general embargo to which all would not subscribe. Mr. Rusk indicated that the United States agreed that this matter should be approached with care and we believed that the Collective Measures Committee served the purpose of a governor to prevent precipitous action and give our friends an opportunity to air their views.

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[1] Prime Minister Sidney G. Holland of New Zealand visited Washington from February 5 to 10.

[2] John K. Emmerson, Regional Planning Adviser in the Bureau of Far Eastern Affairs.

[3] Livingston Satterthwaite, Deputy Director of the Office of British Commonwealth and Northern European Affairs.

[4] For a memorandum of Rusk's conversation with Prime Minister Holland on February 6, see p. 155.

Mr. Rusk stated that we favored dropping discussion of Chinese Communist membership in the United Nations for the present and that there be no further recognitions of the Peiping regime, although some of the recognitions already granted might be useful in maintaining direct contact with Peiping. Finally, Mr. Rusk pointed out that the restraint with which the United States had acted in not attacking the Manchurian "safehaven" could not be continued were the Chinese Communists to launch a full-scale air attack on the United Nations Forces. The Prime Minister agreed, but hoped that an opportunity would exist for an expression of the views of the countries participating in Korea before such action would be taken.

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**123 Clough, Ralph : Telegram**

## *The Consul General at Hong Kong (McConaughy) to the Secretary of State*

SECRET HONG KONG, February 8—5 p. m.

2149. I commend to careful consideration of Department following excellent analysis written by Ralph Clough,[1] on basis six months observation Hong Kong, summarizing Chinese Communist intentions, strengths and weaknesses and suggested US action. Since pro-Gimo sources in Hong Kong are few, Embassy Taipei may wish to make comments taking fuller cognizance KMT view.

"Chinese Commu~~nists~~ fully committed to "liberation" Asia as junior partners USSR and if necessary to carry out this program prepared risk war with US which they convinced is their implacable enemy. This increasingly apparent from: (1) statements by CCP leaders; (2) intervention in Korea and aid to Viet Minh and Malayan Communists; (3) campaign to root out every trace American influence from China; (4) nation-wide defense activities; (5) preparation for building modernized army; (6) increasingly ruthless suppression counter-revolutionary elements; and (7) intransigence in dealings with UN.

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[1] Ralph N. Clough, Consul at Hong Kong.

Since outbreak of war Chinese Communists political control country has become stronger rather than weaker. This brought about by large-scale guerrilla suppression campaigns arrest and execution of individuals suspected of anti-Communist leanings and indefatigable organization of all segments of population. Communist successfully intimidating political opponents, and lack unified vigorous resistance movement on mainland has given rise to growing feeling that resistance hopeless.

Chinese Communist economic system although suffering from numerous defects, is workable and effective. Transportation facilities have been rapidly restored, essential commodities made available where needed, and price foodstuffs risen relatively little since outbreak Korean war. Heavy taxes have been collected and put to government use with relatively small losses through corruption or negligence. Chinese Communist administration with respect both efficiency and honesty has been considerably better than Nationalist Government up to time expulsion from mainland. Chinese Communist propaganda and political indoctrination gradually becoming more effective longer people cut off from other sources information. Moral and material support USSR is strong bulwark to regime.

Above strong points Communist regime somewhat offset by widespread popular dissatisfaction and basic economic weaknesses. Chief cause dissatisfaction is lowered standard living, second is stringent political control, and third Korean war and policy leaning to one side. Korean war has saddled Communists with enormous burden military expenditure while tightening economic embargo will be felt increasing shortage essential industry materials. Very violence their suppression opposition and urgency their defense measures indicate Communists aware resistance movement can still be serious threat to their control.

Military action Korea combined such economic sanctions as may be possible persuade other UN members to invoke, while greatly increasing pressure on Chinese Communists, are unlikely in themselves to compel them to refrain from further ventures in Southeast Asia. Means must be found for exploiting internal weaknesses China just as Soviets now exploiting weaknesses other Asian countries with governments friendly to US. This means assistance to Taiwan, but also clandestine support of anti-Communist "united front" including all anti-Communist Chinese willing to cooperate. Such united front would have far greater power attract wavering elements in China and potential dissidents in CCP itself than KMT alone.

Regardless efforts to maintain secrecy, knowledge US material support organization would become known. (It already widely believed among politically conscious Chinese Hong Kong that US aiding guerrillas. Knowledge that US firmly supporting anti-Communist political organization would give great encouragement to movement. Effort should be made to give Chinese students and intellectuals in US important part in organization and should be encouraged to spread rapidly through Southeast Asia assisted by US diplomatic support wherever feasible. Should have political program frankly accepting and advocating further improvement of good aspects Communist regime, such as austere living for officials, honesty in government and inculcating respect for dignity of labor. Beyond this its primary appeal should be to nationalism calling for true independence for China and calling halt to bleeding of China's economy for benefit Soviet imperialistic ambitions. While older leaders with prestige would lend names to organization primary reliance should be on able dedicated young men and women from whom new leadership for China can arise.

Organization should direct guerrilla operations utilizing tactics which proved successful for CCP. Early stages chief aim should be control country so as to deny grain to Communists and exploit their economic weaknesses (pitched battles or landing Taiwan troops in force on mainland should be avoided). To this end establishment mobile free Chinese broadcasting station on mainland would be extremely potent psychological factor.

Minimum aim program would be to slow Communist advance into SEA and thus gain time our rearmament while avoiding measures which result all-out war with China. Maximum aim would be to reverse tide Asia and eventually replace Chinese Communist army with one friendly to US. Following admittedly difficult problems would have to be solved: (1) how secure cooperation KMT without allowing it exclusive control over membership and funds united front; (2) how limit membership to those willing undergo hardship and self-sacrifice and avoid having organization turned into refuge for broken down politicians; (3) how improve standard living people in areas occupied by organization's guerrilla forces so as to obtain support people against Communists; and (4) how secure cooperation or least avoid opposition of British and our other Allies.

It is realized Department has undoubtedly already devoted much thought to possibility action similar that outlined. Above offered simply as personal opinion based on contact with large number politically conscious Chinese. Prompt action is essential to arrest further development defeatism among our potential supporters on mainland."[2]

Sent Department 2149, repeated information Taipei 242.

McConaughy

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[2] Telegram 2507 to Hong Kong, February 15, 1951, commended Clough for a "timely and thoughtful analysis" and requested that Hong Kong should continue to keep the Department informed of "all developments re any Chi 'resistance movement'" (123 Clough, Ralph).

NSC–S/S Files: Lot 63 D 351: NSC 101 Series

## *Memorandum by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant) to the Director of the Executive Secretariat (McWilliams)*

TOP SECRET [WASHINGTON,] February 9, 1951.

The underlying memorandum for Mr. James S. Lay, Jr., Executive Secretary, National Security Council,[1] transmitting a report on the effect of United States backing of Chiang Kai-shek[2] has been cleared in the Department by FE, NEA, S/A, and G. It will be appreciated if you will hold up the transmittal of the memorandum and attached report until the Joint Chiefs of Staff have transmitted to the Council their report on the possible use of Chinese Nationalist forces and the defense of Formosa.[3] S/A will let you know when this has occurred.

[Attachment]

## *Memorandum Prepared in the Department of State*[4]

TOP SECRET [WASHINGTON, February 9, 1951.]

### REPORT ON THE EFFECT WITHIN CHINA AND OTHER EASTERN COUNTRIES OF UNITED STATES BACKING OF CHIANG KAI-SHEK

The Communists within China face widespread discontent and opposition. It is difficult to gauge precisely the extent or nature of this opposition. However, available evidence indicates:

(1) The general enthusiasm with which the Chinese Communists were welcomed in their sweep southward has given way to disillusion-

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[1] Not printed.

[2] The report had been requested by the National Security Council at its January 17 meeting; for a record of the relevant part of the meeting, see p. 93.

[3] For the text of the JCS report, see p. 1598. The State Department report here printed was never sent to the National Security Council. A memorandum of April 30 from Nitze to Secretary Acheson stated that it had been decided to prepare a paper on Formosa instead and enclosed an unsigned memorandum headed "Formosa", also dated April 30, which, Nitze stated, had been prepared in FE in cooperation with S/P and cleared by Matthews. An attached note of the same date from Philip H. Watts of the Policy Planning Staff to Merchant stated that Nitze would be discussing the memorandum with the Secretary that day or the next day, but the memorandum was apparently not circulated further. (S/P Files: Lot 64 D 563: NSC 101 Series) A memorandum of July 16 from Emmerson to Rusk stated that S/P was going to review "the Formosa paper which had been placed 'on ice' before the MacArthur hearings", but no record has been found indicating that this was done. (CA Files: Lot 59 D 228)

[4] The source text bears no indication of the drafting officer, but an earlier draft, dated January 21, indicates that the drafting officers were Oliver Edmund Clubb, Director of the Office of Chinese Affairs, and Wallace W. Stuart, Acting Officer in Charge of Political Affairs in that office; it is filed with a covering memorandum from Jessup to Matthews, January 25, 1951 (793.001/1–2551).

ment and discontent as they failed to make good on their promises of a better life. Heavy taxes ruthlessly enforced, enforced purchase of public bonds, general stagnation of business, unemployment in certain sectors of the urban population and a sequence of natural calamities have contributed to the growth of active and latent opposition.

(2) This opposition is strongest in South China.

(3) It is largely unorganized and leaderless, finding its active expression in sporadic and generally uncoordinated acts of banditry, violence against isolated Communist officials such as rural tax collectors, and guerrilla action.

(4) Probably only a small percentage of the population actively supports the Communists, but this percentage would increase rapidly if the Communists were able to convince the Chinese people that they were protecting China from foreign aggression or exploitation. If it were to appear, contrariwise, that Chinese Communist policies were actually furthering foreign aggression and exploitation (from the side of the Soviet Union), the popular support for the Peiping regime might well be expected to decline. In like manner, while Communist successes in Korea and the success to date of the Chinese Communist intransigence in respect of the United Nations efforts to negotiate a cease-fire increase the prestige of the Peiping regime within China and serve to stimulate Chinese self-esteem and to foster subversive activity in Chinese communities elsewhere, especially in the Far East, an ultimate Communist defeat in the Korean war would be a severe blow to that prestige.

(5) While a substantial part, perhaps a majority of Chinese would like to see the Communist regime overthrown, they do not generally look upon the Chiang Kai-shek regime as an alternative and only a small fraction of these would consider Generalissimo Chiang Kai-shek clearly preferable to Mao.

In short, there is particularly in South China a latent and active opposition which might be developed through skillful encouragement and assistance. This opposition would be most responsive to the appeal of a "third force" largely independent of both the Kuomintang and the Communists and promising a "new deal" to China. It would be much less responsive to a return of General Chiang and his personal clique of KMT supporters.

The foregoing might be interpreted as meaning that if opposition to the Communists in mainland China is to be developed and exploited fully, General Chiang and his close associates should be replaced on Formosa. However, this is believed to be an oversimplification of the problem.

It is true that many great leaders of history have frequently gone through periods of defeat and rejection by their own people only to emerge strong again. Those who have effected such comeback, however, are definitely in the minority. It is to be granted that General Chiang Kai-shek possesses certain essential qualities of leadership, namely, supreme confidence in himself and his cause, political determination, and stubbornness, adroitness in political maneuver and an unwavering opposition to Communism. It is likewise true, however, that he has as well grave shortcomings, prominent among which, as evidenced by his failures of recent years, are his basic reliance on dictatorial methods to achieve his aims, his ineptitude in gauging political and social forces and his consequent grave shortcomings as a political leader, his proneness to meddle in military actions, his basic suspicion of all other potential Chinese leaders, and his inclination to carry on Machiavellian politics in the domestic arena without due regard to the overall effect of such maneuvers on the country as a whole.

The removal of General Chiang Kai-shek by the United States would be an exceedingly difficult, perhaps impossible task. With his position substantially strengthened as a result of developments in Korea, it is doubtful that he could be induced voluntarily to resign. Any effort of the U.S. Government to remove him forcibly and set up a succession would be difficult to carry out and would taint his successor as a U.S. puppet. There would further be the possibility that any change in leadership at Taipei, if effected through the use of force, would introduce an element of disorder in the Formosan situation which would work to the benefit of the Communists on the mainland.

In those circumstances it would appear advisable that the U.S. view sympathetically and covertly support the development of any resistance movement on the mainland in as much as such a movement would be both a potential threat against the Peiping regime and would be a natural influence exercising pressure on the National Government on Formosa to adopt more effective policies. Such resistance movement might in due course become more important for the rallying of anti-Communist support of the Chinese people than the recognized National Government on Formosa. In the meantime, it is believed that the U.S. should continue support to the National Government on Formosa, avoiding any commitment of U.S. strength or prestige to the return of that Government to the mainland and leaving to the Chinese the question of any change in Governmental leadership. At the same time we should use our political influence and the leverage of American aid to strengthen those military and political leaders on Formosa who seem worthy of confidence. American support should in so far as possible not be identified with Chiang Kai-shek as such, but with the National Government.

Reaction in Eastern countries to this policy would probably be divided along the lines of recognition policy toward Peiping. In the Philippines our action in supporting the National Government would be seen for what it is—making the best of a bad situation—and while our action would evoke little enthusiasm we would probably receive more support than criticism. It is believed the Philippines would consider our support of the National Government a lesser evil than our abandonment of it and loss of Formosa to the Communists. The Associated States and Thailand have little concern in what happens to Formosa except in so far as developments there affect Chinese Communist military pressure on their own borders. Japan, for security reasons, might well be expected to support those moves which would have as end result the denial of Formosa to Communist control, and would presumably be more interested in the first instance in the effectiveness of the means adopted than in the means per se.

The Eastern countries which have recognized the Peiping regime, namely, India, Indonesia, Burma, Ceylon, and Pakistan, may be expected to criticize, if not actively oppose, continued U.S. support of the National Government. India exercises a large measure of influence in these countries, with the exception of Pakistan. India, which for the most part follows Nehru's personal interpretation of Far Eastern developments, has already advocated turning over Formosa to the Chinese Communists and may be expected actively to oppose U.S. support of the National Government. This attitude probably arises in part from Nehru's belief that Mao expresses the new spirit of Asia while Chiang Kai-shek does not; in part from Nehru's desire to be proven right in his opinion that the National Government is wholly discredited and finished in China; and in part because he fancies that such an attitude helps his standing at Peiping and strengthens his position as a "peacemaker". It is not believed that under present conditions Indian opposition to U.S. support of Formosa would be substantially lessened even though a change were made in the top Chinese leadership on the Island. If such a change occurred as a result of direct U.S. intervention, Indian opposition might, indeed, be increased rather than decreased thereby. In short, India wants Formosa turned over to Communist China—and is likely, in present circumstances, to oppose any course of action that we may take to prevent this. Indonesia, which is strongly influenced by India, would probably have the same attitude. Ceylon, Burma and Pakistan would oppose U.S. support to the National Government but probably much less vigorously than would India and Indonesia. The support of the aforementioned East Asian countries of the Peiping regime, and their opposition to U.S. support of the National Government on Formosa, would alike probably increase in direct ratio to their favorable appreciation of the political and economic acts of the Chinese Communists and their parallel unfavorable appreciation of the moral and political standing of the National Government. Any turn in events, however, which might cause a depreciation of the standing of the Peiping regime and/or appreciation of the position of the National Government or of a mainland resistance movement would presumably bring about changes in their respective political positions. The growth of a Chinese Communist threat of aggression against Southeast Asia and South Asia, for one thing, could logically be expected to result in some change in the attitudes of the nations under threat.

Although we should continue to support the National Government on Formosa, we should not, in view of the indifferent support which Chiang Kai-shek has received in the past and receives still from the Chinese people, and the many political obstacles arising from his complete defeat on the mainland, place principal reliance on him to lead an opposition movement within China.

It is assumed that our basic objective within China is to further the development of active resistance to the Chinese Communists to the end that a vigorous opposition movement may emerge capable of progressively challenging Communist control. It is believed that the fall of Formosa would be disheartening to actual and potential resistance groups. To the extent that denial of Formosa to the Communists is helped by our support of the National Government, this support likewise contributes to our objectives on the mainland. However, it would likewise be discouraging to mainland opposition groups were they to be convinced that U.S. policy was directed solely toward the return of Chiang and his KMT Government to the mainland. If all U.S. assistance were funneled through Chiang, he would become in Chinese eyes the chosen and exclusive U.S. instrument for contesting Communist control on the mainland. We should avoid a course of action which would lead to this conclusion. . . . In an environment of Communist repression, we should expect a process of natural selection and survival of the fittest to eliminate the weak and bring the strongest to the top. By this essentially Chinese process, we should expect the leadership of any unified opposition movement to evolve. Similarly, while we should work for the ultimate merging of mainland and Formosan opposition forces, the terms of such merger and the part, if any, which Chiang and associates would have in any unified opposition movement is a Chinese problem in which we might intervene only at grave risk.

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## *Editorial Note*

On February 14 and 23, Assistant Secretary Rusk discussed United States policy with regard to China with Canadian Ambassador Hume

Wrong. No record of either conversation has been found in the Department of State files; Wrong's reports of the conversations, sent in personal letters to Canadian Secretary of State for External Affairs Lester B. Pearson, are quoted in part in *Mike: The Memoirs of the Right Honourable Lester B. Pearson*, Volume 2: 1948–1957, edited by John A. Munro and Alex I. Inglis (Toronto: University of Toronto Press, 1973), pages 175–179.

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**Department of Defense Files : Telegram**

## *The Commander in Chief, Far East (MacArthur) to the Joint Chiefs of Staff*

TOP SECRET PRIORITY TOKYO, 23 February 1951—2:25 p. m.

C 56199. Ref DA 82818, 7 Feb.[1] The folg comments are submitted on Joint Chiefs of Staff 2118/15.[2]

The capability which that paper gives the Chinese Communist Army of eventually defeating Nationalist Forces and maintaining internal security brings to the fore the importance in these considerations of developments on the mainland which can only be speculated upon at this time, such as:

1. Degree of Chinese Communist success in continuing campaign to suppress guerrilla activity.
2. Extent of improvement in Chinese Communist Mil Forces as the result of Soviet aid and advice.
3. Success of Chinese Communist Govt in consolidating territorial gains and in gaining public support, willing or unwilling. In general, these trends appear to indicate that action against Communist China would be more timely at an early date than it would be later.

China has not been within the scope of responsibility of the FEC. Hence, there is no direct access to sources of info pertaining to that area. Without add info an unqualified est of what might be accomplished in China by guerrilla warfare alone cannot be made. The discussions of the probable Chinese Communist reaction to each of the proposed courses of action and its probable effects are plausible enough but avail info is not sufficient to warrant their acceptance as conclusions.

Our sponsorship of guerrilla activity would result in neutralizing to some extent Communist China's capabilities for mil action along other lines more inimicable to our interests. It is improbable, however, that any large scale defection of Communist troops or citizens will take place until it is believed that the Nationalists have a good chance of remaining on the mainland. It is doubtful that this condition of mind can be created until a major force has gained a lodgement there. Unless the attainment of short range objectives (particularly the prevention of employment of Chinese Communist Forces in areas contiguous to China) is considered of paramount importance, resort to guerrilla warfare might possibly result in dissipation of the asset we now have in the Chinese Nationalist Forces to the detriment of longer range objectives.

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[1] Not printed.

[2] The reference is to the JCS study mentioned at the State–JCS meeting on February 6 (see p. 1568, paragraph 18); for the text of the final version of the study, see enclosure to Lay's memorandum to NSC, March 21, p. 1598.

The development of guerrilla potential into guerrilla power is time consuming. However, particularly where Comm are primitive, and in the event case 5 is being given favorable consideration at the national level, it might be well as a prelude to project the immediate implementation of case 3. In this connection the Chinese have in the past shown a susceptibility to rendering service to the highest bidder and while the US cannot openly engage in bribery to defection, it is believed that the purchase of high Communist civ and mil officials might prove an economical method of assisting in disestablishing the present auth in China.

Folg Chinese Communist entry into the Korean war, the Joint Planning Staff has, in anticipation of directives from the Joint Chiefs of Staff, developed preliminary plans along the lines of case 5. Under this concept, the US would provide air, naval and log support for a landing of the Chinese Nationalist Forces. US Air and Naval Forces would protect Formosa, freeing Chinese Nationalist Combat Forces for employment on the mainland. It was est that shipping could be assembled for initial lift of 100,000. The Shanghai area was selected for the principal landing. The objective of opns ashore was the domination of South China behind the protection of a defensive line along the Yangtze River. These studies were, of course, oriented specifically to the Korean situation rather than the broader objectives of Joint Chiefs of Staff 2118/15.

On the basis of intelligence which is avail to the FEC at this time, eval of the assertion of Para 8 that US intervention in China will probably not result in a Soviet decision to engage in an open war with the US, cannot be made.

Implicit in Para 19 is a rejection of any of the courses of action listed in cases 1 through 5 in the event of overt Soviet participation. It is assumed that this refers to Soviet participation in China alone and that in the event of a gen war consideration would be given to the returns which might be anticipated by the actions listed in the study.

Ref Para 7.

Use of oriental standards in loading greatly increases the capacity of the Naval lift. 7,200 refugees were lifted in one Landing Ship Tank during the evac from Hamhung. It is est that shipping could be assembled within 2 months for an initial lift of 100,000 Chinese Nationalists. More recent figs on Nationalist Naval Forces suggest the replacing of Para D, "Navy," on Page 129 with the folg:

"Navy: 42,300–1 Coastal Destroyer, 10 Destroyer Escort, (6) Destroyer, 2 Patrol Craft Escort, (5) Patrol Frigate, 11 (3) Minesweeper, 2 Minelayers, 5 (3) Gunboats. Figs in parens are inoperable at present. Amphib craft include 10 LST, 1 Aux Repair Light, 8 LSM, 6 LSI Large.".

Ref time est in Para 20 under cases 4 or 5. It must be noted that little of the equip recommended by the FEC survey report has been dlvrd. A basic factor is the time required for log prep of the Chinese Nat Forces.

In summation, it is believed the Chinese Nat Forces should be equipped along somewhat austere standards and trained for eventual employment on the mainland. Recommendations contained in FEC survey of mil assistance required by the Chinese Nat Forces which were oriented to the def of Formosa might require revision in the light of their prospective employment on the mainland. Eventual employment of the Chinese Nat Forces, when they are capable of eff action, cannot now be predicted with finality. US identification with guerrilla warfare should be a prelude to larger opns which have a substantial prospect of overthrowing Communist auth in China, or portions of it.

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**293.1111/2–2351 : Telegram**

### *The Consul General at Hong Kong (McConaughy) to the Secretary of State*

SECRET PRIORITY HONG KONG, February 23, 1951—10 p.m.

2371. Re Deptel 2620, February 21.[1] Southern Baptist mission representatives here confirm death of Dr. Wallace at hands Chinese Communists while held incommunicado in prison February 10. Report comes from three independent Chinese sources one of them quoting Miss Hayes[2] of Wuchow and another from eyewitness who says he saw Wallace's body being carried from prison by Chinese Communists soldiers. No information as to cause or circumstances of death. Since he was only 42 years old of strong constitution and in good health at time of his arrest December 19, representatives satisfied beyond reasonable doubt that Chinese Communists are responsible for his death. Fact that Chinese Communists have made no announcement of his death strengthens presumption that he did not die from natural causes. Jailers reported to have told Chinese friends of Wallace that he "committed suicide" which no one believes. This allegation lends some color to surmise that he died violently.

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[1] The reference telegram requested details concerning a report of Dr. Wallace's death on February 10 (293.1111/1–1751).

[2] Everley Hayes, a Southern Baptist missionary, was Superintendent of Nurses at Stout Memorial Hospital in Wuchow.

This seems to be first authenticated case of martyred American civilian at hands of Chinese Communists since current hate campaign began. Mission representatives here have requested we avoid publicity for present because it might lead to reprisals against Miss Hayes at Wuchow who is not presently under arrest but has been unable to obtain exit permit and against seven American Mary Knoll priests who are reported to be under arrest there. I have promised to report this view to Department. On other hand, it is not easy to take passive view of this crime. It seems probable local authorities are responsible for action and that Peking might be to some extent embarrassed by our official revelation of it. At least we could be serving notice on Communist regime that such outrages by their local officials do not pass unobserved and might deter them from violent action in cases such as those of Bryan [3] in Shanghai. We have particular cause for concern because of promulgation yesterday of new regulations calling for capital penalty or life imprisonment for alleged subversive acts.[4]

Believe that this probably deserves priority consideration at highest level of Department. If we are going to employ publicity should be done immediately before Chinese Communists put out fabricated version of Wallace's death.

McConaughy

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[3] Robert T. Bryan, a lawyer in Shanghai, had been arrested in mid-February.

[4] The reference is to an Act of the People's Republic of China for Punishment of Counterrevolution, approved by the Central People's Government Council on February 20 and promulgated by Chairman Mao Tse-tung on February 21, 1951; for an English translation of the text, see Jerome Alan Cohen, *The Criminal Process in the People's Republic of China, 1949–1963: An Introduction* (Cambridge, Mass.: Harvard University Press, 1968).

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Department of Defense Files: Telegram

## *The Commander in Chief, Far East (MacArthur) to the Joint Chiefs of Staff*

TOP SECRET PRIORITY Tokyo, 24 February 1951—10:39 a. m.

C 56246. Reference Commander Naval Forces Far East nr 190756Z (information Chief Naval Operations) and Commander in Chief Far East CX 56045 of 21 February.[1] This message in 3 parts.

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[1] Neither printed.

Part 1. In event of Chinese Communist air or sea attacks against Formosa or the Pescadores will the Chinese Nationalists Government be authorized to retaliate immediately against targets on Chinese Mainland?

Part 2. In the event of Chinese Communist air or sea attacks against Formosa or against United States Forces outside Korea, it is recommended that Commander in Chief Far East be authorized to retaliate immediately against targets on Chinese Mainland.

Part 3. The return of seasonal weather and sea conditions favorable to attacks upon Formosa and the continuing capability of Chinese Communists to mount air attacks outside Korea require early decisions upon the above query and recommendation.

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S/P Files: Lot 64 D 563

## *Memorandum of Telephone Conversation, Prepared in the Department of State*

TOP SECRET [WASHINGTON,] February 26, 1951.

Participants: First Party and Second Party.
Telephone conversation, 5:10 p.m.

Second Party referred to an earlier telephone conversation[1] in which First Party had inquired as to whether Third Party had relayed to his principals any information regarding the information previously given in regard to the missionary, Dr. Wallace. Second Party said that he had attempted to call First Party on the preceding Friday evening[2] and had been unable to reach him. He was sure that Third Party had not communicated the information. He said that at the time the information had been passed on to Third Party, Third Party explained that he had no way of communicating it and would wait until he could get abroad to establish better communications before doing so.

First Party raised the general subject of Third Party's veracity. Second Party said that he was sure of it insofar as one can be sure of that quality with respect to any Oriental. In general he was satisfied with the good faith of Third Party.

First Party then communicated certain items on which information from Third Party would be welcomed if obtainable. The questions referred to in general the numbers and training locations of the Chinese pilots previously reported by Third Party to be undergoing training for suicide missions and the Chinese crews reportedly undergoing submarine training.[3] The specific questions were:

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[1] No record has been found in the Department of State files of any conversation between First Party and Second Party between February 4 and February 26.

[2] February 23.

*a.* Where is the training being conducted?
*b.* Is there any information as to the location of submarines being used for training purposes?
*c.* Is there any indication of submarine training activities at Hainan, particularly at Yulin?
*d.* Is there any indication that the crew of the former Nationalist cruiser *Chungking* is being used in submarine training?

Second Party said he would call First Party Tuesday afternoon with the answers. First Party advised Second Party not to press for the answers but to work the way round to the questions easily. He suggested also that Second Party seek further clarification as to the sources of Third Party's information regarding submarine and suicide pilot activities.

First Party discussed the general situation and said this Government was now in a fairly easy position as to alternative paths to be followed in relation to the Chinese. A peaceful settlement was now something in a take it or leave it category so far as this Government is concerned. Accordingly, we still felt it a good idea to get Third Party to a point from which he could make better contact with his principals but we certainly did not think that urgency was of the essence.

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[3] No reference to these subjects appears in the memoranda of conversations between First Party and Second Party in the Department of State files.

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793.5 MAP/2-2751 : Telegram

## *The Acting Secretary of State to the Embassy in the Republic of China*

SECRET WASHINGTON, February 27, 1951—1 p. m.

846. Tomap. FYI only and not for communication to Chi Govt, Def prepared ground forces program grant aid Natl Chi amtg $50 million for def Formosa. Major categories are signal equip, tanks, motor vehicles, small arms and ammo, misc ordnance and ammo, engineering and med equip. Dept approved and requested Pres allocate funds[1] from sec 303 Suppl Approp Act 1951 MDAA.[2] Pres on Feb 16 allo-

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[1] Secretary Acheson informed the Director of the Bureau of the Budget, Frederick J. Lawton, in a letter of January 30, 1951, not printed, of the State Department's approval of aid programs for Formosa and Thailand (794A.5 MAP/1-3051).

[2] Supplemental Appropriation Act for fiscal year 1951, or Public Law 843, 81st Cong., approved September 27, 1950; 64 Stat. 1044. The funds under reference were authorized by the act for the purposes specified in Title III, including Section 303 (*a*), of the Mutual Defense Assistance Act of 1949, as amended.

cated this amt to Def [3] thus enabling initiation supply action. Navy and AF grant aid programs ($5.2 and $16 million respectively) complementing above also been prepared by Def and approved by Dept which requesting Pres allocate funds.

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[3] The President so informed Secretary Acheson in a letter of February 16, 1951, not printed (794A.5 MAP/2-1651).

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CA Files: Lot 59 D 228

*Memorandum by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant) to the Assistant Secretary of State for Far Eastern Affairs (Rusk)*

TOP SECRET [WASHINGTON,] February 27, 1951.

The attached papers [1] are the latest items foreshadowing a massive economic-military aid program which we are drifting into for Formosa. Last year the ECA program was about $25 million and the military aid program about $10 million. For fiscal 1952 the JCS-S/ISA military program comes to $237 million with over $200 million additional tentatively projected for fiscal 1953.

The economic aid program for fiscal 1952 will run close to $100 million unless I miss my guess. What is disturbing, however, is that the groundwork is being laid by the Chinese and by ECA for "budgetary assistance" within the coming year with the alternative "economic collapse".

S/ISA is shooting for a March 1 deadline for clearance of the Formosa military aid figure. They won't meet it, but the pressure is on us.

Having set our foot on the road we are on, I am inclined to think that we are in no position to contest a JCS estimate of the cost of a program designed to make the Island militarily defensible. Similarly, I believe we are in little better position seriously to contest an ECA estimate of what may be required to keep Formosa economically healthy and enable it to absorb the impact of a massive military aid program.

I believe, however, that we owe it to the Department and the taxpayer to take a good hard look at the total price tag which I estimate will run over $400 million for fiscal 1952. On a per capita basis a comparable economic-military aid program for Japan would run about $5 billion a year.

I suggest that you call Messrs. Clubb, Barrett,[2] Parelman and myself to meet with you as soon as convenient with a view to establishing or confirming an FE position. We should then meet with ECA and S/ISA preferably in a joint meeting.

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[1] Not attached to the source text.

[2] Probably Robert W. Barnett, the Officer in Charge of Chinese Economic Affairs.

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CA Files : Lot 59 D 228 : Telegram

## *The Commander, Seventh Fleet (Struble) to the Commander Naval Forces, Far East (Joy)*

TOP SECRET 27 FEBRUARY 1951—11 :46 p. m.

271546Z. On 22 Feb Com 7th Flt visited Chinese Naval base Tsoying USS *Gurke* and all Chinese naval vessels full dressed. Called on Generalissimo for about 1 hour. General discussion primarily concerning Korean War and fight against Communism.[1]

Com 7th Flt, CG 13 AF,[2] ComNavPhil,[3] Alusna Taipei and staff attended MND briefing on 23rd. No particularly new information brought out.

Discussion with Gen Chou Chih-jou [4] and top Chinese military held on morning of 24th that MND. Attended by Struble, Turner, Old, Jarrett and very limited staffs. Chinese presented plan for their action in case of invasion of Formosa. First speaker got off subject and discussed plans for invasion of Mainland. Chinese themselves noted error and later speakers covered defense of Formosa. Nothing particularly new in defense planning. Noteworthy that considerable thought and planning being developed for invasion of mainland.

Com 7th Flt replied to Chinese comments and questions.

*a.* A number of Chinese estimates concerning probable size of invasion forces, size of vessels, and probable loading area were accepted as fair estimates.

*b.* The "inner Defense Zone" which had been established by Com 7th Flt was considered by Chinese as being too restrictive. Adm Struble eliminated the zone and in lieu thereof proposed surface traffic lanes which were accepted in principle by Chinese.

*c.* Chinese asked whether after an air raid had been delivered against Taiwan or Pescadores will U.S. forces attack Communist airfields on the mainland, if not will Chinese be permitted to do so. Adm Struble replied that interpretation of the 28 June agreement[5] would have to be taken up through diplomatic channels as he did not have the power of interpretation of that agreement.

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[1] Telegram 1191 from Taipei, March 5, 1951, reported that according to Admiral Jarrett, the conversation had been "confined to such teatime civilities as Generalissimo's asking Struble about Korean war and requesting suggestions from Jarrett for improvement Chinese Navy, Madame's inquiring about mutual friends, et cetera" (793.00/3-551).

[2] Maj. Gen. Howard M. Turner, Commanding General, Thirteenth Air Force, Philippines.

[3] Rear Adm. Francis P. Old, Commander, U.S. Naval Forces, Philippines.

[4] Lt. Gen. Chou Chih-jou, or Chow Chih-jou, Chief of the General Staff and Commander in Chief of the Air Force, Republic of China.

*d.* Chinese asked whether if an air attack were launched against Taiwan would dropping of first bomb be considered an invasion. Adm Struble replied not necessarily. On his part he indicated that he would not consider a single plane dropping a bomb as starting invasion. He stated that circumstances at the time would have to dictate his actions in deploying the 7th Fleet. That CINCFE and COMNAVFE would be appraising the problem and that circumstances at the time would have to dictate when "the invasion started".

*e.* Chinese questioned whether 7th Fleet mission include stopping an air attack. Com 7th Fleet replied "If I were in Korea at the time I could not stop it. If 7th Fleet were in position I would attempt to stop attack. I assure you General MacArthur and Adm Joy are considering the situation continuously and movement of the fleet would depend upon evaluation of the situation at the time".

*f.* Chinese indicated that Soviet submarines might engage covertly in mine laying and Chinese at present had no means of mine sweeping. Com 7th Fleet replied number of mine sweeping forces available to U.S. is small. Problem will be presented to Adm Joy. If available and needed, mine sweeping forces will come with 7th Flt.

After the discussion of the specific items mentioned above Adm Struble asked if the Chinese would like to make an estimate as to the probable time for the start of the invasion and what the enemys strategy would be. The question was not answered directly but the reply indicated that the Chinese expect raids on the island of Formosa particularly Quinmen. They emphasized the superiority of Red Chinese air over their own air and the readiness of his airfields in the provinces adjacent to Formosa Straits. They anticipate early air raids on Formosa and requested assistance in connection with the present radar procurement. Com 7th Fleet recommends that increased priority be assigned to current Chinese radar procurement.

They presented their views on the necessity of their being able to take prompt action against the Red Chinese airfields and invasion buildup before the enemys forces actually had commenced an invasion. More freedom of action for U.S. forces as well as Chinese forces in this respect is militarily desirable. Recommend CINCFE procure such leeway as practicable in this matter from JCS. The Chinese were again informed interpretation 28 June agreement was diplomatic matter.

Atmosphere at conferences cordial although Chinese unhappy over Mainland restriction.

Services Adm Jarrett and staff excellent.

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[5] For texts of the U.S. *aide-mémoire* of June 27, 1950 and Chinese reply, see Telcan 39 to Taipei, June 27, 1 a. m., and telegram 1000 from Taipei, June 29, 1 a. m., *Foreign Relations*, 1950, vol. VII, pp. 188 and 226.

Department of Defense Files : Telegram

## *The Joint Chiefs of Staff to the Commander in Chief, Far East (MacArthur)* [1]

TOP SECRET WASHINGTON, 28 February 1951—12:11 p. m.
PRIORITY

JCS 84458. 1. Reur C 56246,[2] in event of clearly identified Chinese Communist air or sea attack against Formosa or the Pescadores, no objection will be interposed to Chinese Nat Govt retaliating immediately against targets on the Chinese mainland. This position will be conveyed to Chinese Nat Govt through dipl channels.

2. In event of Chinese Communist air or sea attacks against United States forces outside Korea, the principle of immediate retaliation against targets on Chinese mainland is approved. However, subject to right of immediate self-defense, you will inform us of facts concerning the Chinese Communist attack and receive approval of your proposed retaliatory action prior to attacking targets on Chinese mainland.

3. It is not contemplated that retaliation would follow in case of Chinese Communist attacks upon United States or Chinese Nationalist reconnaissance aircraft flying over or in immediate vicinity of Chinese territorial waters.

4. With respect to action by United States forces in event of Chinese Communist air or sea attacks against Formosa the instructions contained in para 2C of JCS 84681 June [29,] 50 [3] still apply.

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[1] Repeated for information to the Commander in Chief, Pacific.

[2] Dated February 24, p. 1582.

[3] Paragraph 2C of telegram JCS 84681, dated June 29, 1950, from Joint Chiefs of Staff to CINCFE, read:

"By naval and air action you will defend Formosa against invasion or attack by Chinese Communists and will insure that Formosa will not be used as a base of operations against the Chinese mainland by Chinese Nationalists." For text, see *Foreign Relations*, 1950, vol. VII, p. 240.

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S/P Files : Lot 64 D 563

## *Memorandum of Telephone Conversation, Prepared in the Department of State*

TOP SECRET [WASHINGTON,] March 5, 1951.

Participants: First Party and Second Party.
Telephone conversation 5:10 p. m.

Second Party said Third Party is most anxious to travel to London as soon as possible. He said Third Party believes that important communications have been forwarded to him in London in the belief that he would have been there long before this time. He said Third Party had received no recent communications from his principals in Peiping—at least this is what Third Party had imparted to Second Party and Second Party believes it.

Third Party was quoted as giving the opinion that Mao Tse-tung is being held in duress by the Stalinists. He believes that Li Li-sen[1] or Liu Shao-chi are now riding high and are pretty thoroughly in charge of the Peiping situation. This is based on no particular word from Peiping but from his sense of the situation as related to what he reads in the papers. He believes that the prospect of a deviation of the Peiping Government from the Kremlin line has now become impossible and that the only course to break Peiping away must be a *coup d'etat*. He believes that the time for this is near at hand if not already at hand.

Third Party believes that the critical questions will soon be not as to whether or how to encourage a *coup d'etat* but how to establish working relations for assisting the régime to come into existence as a result of a *coup d'etat*.

Second Party had questioned Third Party regarding dispositions and numbers of submarine preparations along the lines of the questions in the memorandum of conversation of February 26, 1951. He had approached this by indirection. It was apparent to him that Third Party had no specific or recent information regarding the training of submarine crews in China. Third Party had made references in conversations to Hainan and expressed his assurity that use was being made of the former Japanese naval base there. Third Party had been blank, however, on the question regarding the crew of the cruiser *Chungking*.

Second Party said Third Party emphasized that a very great impetus to a division on the mainland could be gained at this time by a political reorientation on Formosa eliminating Chiang Kai-shek from the primary position.[2]

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[1] Li Li-san, Minister of Labor, People's Republic of China.

[2] The file includes memoranda of four subsequent conversations between First Party and Second Party between March 20 and April 26. They dealt primarily with Third Party's efforts to obtain a visa to visit the United Kingdom or Switzerland in order to establish communication with his principals and, perhaps, to return to China; there was some discussion of the possibility that Second Party might go to Switzerland in order to maintain a channel of communication between Third Party and the Department (S/P Files: Lot 64 D 563). The series concludes with the April 26 memorandum, but see Marshall's memorandum of conversation, May 4, 1951, p. 1652, and the editorial note, p. 1716.

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601.4193/3-651 : Telegram

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, March 6, 1951—7 p. m.

4793. 1. There is every indication that with assumption of Lamb[1] as Chargé of British Embassy Peiping and departure of Hutchison there will be a noticeable stiffening of British attitude toward CPG. FonOff has given ample opportunity for "polite" policy to pay dividends and it has not done so.

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[1] Lionel Henry Lamb was replacing Sir John Colville Hutchison as British Chargé d'Affaires in Peking.

2. Instructions drafted for Lamb's guidance and for discussion with CPG when occasion arises direct him to bring vigorously to attention CPG question of (*a*) delay in issuance exit permits and (*b*) detention British nationals.

3. Re (*a*) Lamb will say CPG entirely without justification in refusing issue exit permits British nationals not accused of crime. Specific mention could be made of British manager NCB Shanghai who after 18 months still without permit.

4. Re (*b*) attention of CPG will be drawn to number of cases which Hutchison's "polite" policy has failed solve (including Dr. Allen of Canadian hospital Chungking and crew of Australian plane which some time ago made forced landing off China coast near Hong Kong).

5. In discussing above, Franklin, China Desk, suggested his hand would be strengthened if Embassy would again raise with FonOff question of American citizens whose exit visas had been held up (including seven businessmen in Shanghai), or who had been detained by police (including Buol[2] and Bryan). He said FonOff had only recently drawn attention of British Embassy to fact that when US originally asked UK intervene on behalf American businessmen Hutchison had recommended mild approach in thought that if this failed achieve results UK could then take stronger attitude; FonOff indicated mild approach had obviously been ineffective. Embassy Peiping was asked whether time had not now arrived for further representations and whether on balance publicity would be helpful.

6. Embassy of opinion it would be desirable follow through on Franklin suggestion. If Department agrees Embassy would appreciate early instructions, including views as to publicity.[3]

GIFFORD

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[2] Lawrence R. Buol of Civil Air Transport had been arrested early in 1950 at Kunming.

[3] Telegram 4089 to London, March 9, 1951, instructed the Embassy to inform the Foreign Office that the Department would welcome such representations and requested British views on the advisability of the Department's issuing a factual statement on the situation of Americans in mainland China (601.4193/3–951). The Embassy replied in telegram 5103, March 28, 1951, that the Foreign Office had instructed Lamb to make representations on all cases outstanding and that it urged withholding publicity for some time in order to avoid endangering the exodus of missionaries from China. (601.4193/3–2851).

794A.5 MAP/3-751

### *Memorandum by the Director of International Security Affairs (Cabot) to the Director of the Office of Military Assistance, Department of Defense (Scott)*

TOP SECRET [WASHINGTON,] March 7, 1951.

Subject: Military Assistance to Formosa during Fiscal Year 1952.

I refer to the Department of Defense estimate that $237.7 million will be required to furnish military assistance for the defense of Formosa during Fiscal Year 1952.

The Department of State recognizes that the situation of Formosa in relation to the over-all Far Eastern problem makes impossible the precise prediction of Fiscal Year 1952 military aid needs for both that island and other countries in the area.

The instability of the political and military situation in the Far East is such that unpredictable operational and program requirements for the armed forces of the countries in this area might emerge on very short notice. Priorities of country programs as well as adjustments among these programs must be subjected to changes to meet developments affecting the security interests of the United States. Therefore, the funds being requested to meet the military aid needs of the countries in the Far East area, including Formosa, should be allocated and dedicated to specific country programs in light of United States political and military interests at the time.

On the basis of this understanding, the Department of State agrees to the budgetary programs of military aid in the amount of $584.0 million for the Far Eastern countries, including $237.7 million for Formosa. The phasing and magnitude of the funds programmed for budgetary purposes will, at a later date, be considered jointly by the two Departments and decided on the basis of a review of the situation at the time.

THOMAS D. CABOT

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794.5 MAP/3-1351

### *Memorandum by Richard E. Johnson of the Office of Chinese Affairs to the Director of That Office (Clubb)*

TOP SECRET [WASHINGTON,] March 13, 1951.

Subject: Military Chain of Command on Formosa

I was called over to the office of Mr. Forbes in S/ISA this morning to discuss with Major Ruth Briggs (a WAC) plans for the jurisdiction and chain of command to govern the future activities of US military personnel on Formosa. Mr. Forbes is, I believe, the individual in S/ISA immediately responsible for MAAG operations; Major Briggs appears to have considerable authority within the Office of the Secretary of Defense in such matters. She seemed very well informed of Defense procedures in connection with advisory and training assistance and fully apprised of Defense, JCS, and CINCFE thinking with regard to Formosa operations.

For background, Major Briggs commenced by showing me a copy of a top secret telegram from CINCFE (as I recall, dated March 8)[1] in which General MacArthur expressed for the information of Defense his frank views on the subject of Formosa advisory personnel. To my knowledge this telegram was never distributed to the Department (Major Briggs remarked that this information was being furnished me informally for background purposes only; under the circumstances I could, of course, take no notes regarding this telegram or subsequent remarks). General MacArthur concedes in this telegram that the State Department and Minister Rankin have a legitimate interest in MDA operations on Formosa, but adds that under the present circumstances (i.e., with Formosa under his military command and the invasion threat increasing) he believes that there should be a direct chain of command through CINCFE to JCS with respect to Formosa military matters.[2] General MacArthur then outlines his views regarding the complement for training and advisory personnel for the island, to the best of my recollection, as follows:

The most essential requirement is for approximately 270 individuals to be assigned to Formosa immediately to furnish technical advice and assistance to the Nationalist armed forces in the repair and rehabilitation of existing equipment. A second group of approximately 100 individuals would be required to provide administrative services: PX, medical, quartermaster, etc. Finally, an additional complement would be required to provide customary MAAG services, i.e., checking military aid shipments on receipt, control of distribution, and continuing end-use checks. This group would also be responsible for training the Chinese Navy and Air Force, and the Chinese Army "down to the battalion level". Although General MacArthur gave no figure for the complement of the MAAG group, Major Briggs remarked that Defense had arrived at a tentative figure of 132. I cannot be sure of these figures without a further opportunity to check, but recall clearly that the total, as we figured it during this meeting, came to almost exactly 500.

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[1] The reference is apparently to telegram C 57381 from CINCFE to the Department of the Army, January 19, 1951. At the time, the telegram was not circulated to the Department of State; a copy has been received from the Department of Defense and placed in file 794A.5 MAP/1-1951.

[2] The paragraph under reference read as follows:

"CINCFE is aware of the Dept of State role in general MDAP matters. Nevertheless, and in consideration of CINCFEs current mission with respect to Formosa and of the critical importance of that island to the military position of the entire FEC, it is considered that as long as Formosa is threatened, the control of any US military activities on Formosa including the provision of matériel aid and training, should be via purely military channels from the JCS through CINCFE to the Advisory Group."

After reading this telegram and noting the progress which Defense has apparently made in MAAG planning, I mentioned briefly to Major Briggs FE's inclination to prefer an expanded attaché staff as suggested by the Embassy and attachés. Major Briggs brushed this suggestion aside hastily, indicating that as far as Defense is concerned matters have already gone far beyond the MAAG-attaché staff debate stage. I soon realized what she meant. In conformance with General MacArthur's views (as expressed in the telegram mentioned above) and "the practicalities of the situation", JCS appears to have already considered and discarded the customary concept of a MAAG (in which the Ambassador has major responsibilities) for a more complicated arrangement which would provide General MacArthur virtually complete freedom of action in the field. To illustrate the inapplicability of the MAAG procedure to the Formosa situation, Major Briggs with a chuckle asked how General MacArthur would like it if he had to clear with Mr. Rankin whenever he wished to detail new personnel to Formosa. Major Briggs then showed me a top secret JCS paper setting forth the recommendation that the old China JUSMAG structure [3] be revived to fit the needs of the Formosa situation.[4] Major Briggs explained that the mainland JUSMAG organization has never been completely abolished. Although all the JUSMAG personnel were reassigned, the structure of the organization remains in effect today. The JCS proposal, as I recall it, was that a JUSMAG staff be appointed, to have charge under CINCFE of the customary MAAG (supervising end-use) and also the training group recommended by General MacArthur.

Major Briggs pointed out that the JCS suggestion is obviously impracticable, since a conflicting chain of command is involved. The customary MAAG procedure gives the Ambassador the final authority in questions of policy as well as important administrative matters; yet under the procedures suggested by JCS, the MAAG would be part of a JUSMAG operation and subject to the JUSMAG commander's desires. Major Briggs said that she had been assigned to work out a more practical procedure. She has two alternatives to propose: (1) a "double-header" operation, involving a separate JUSMAG group responsible directly to General MacArthur, to handle training questions, and a MAAG group, which would conform with European MAAG patterns with certain changes circumscribing the Ambassador's powers; and (2) a single MAAG establishment handling both training and end-use functions, but in no way comparable to MAAG groups established elsewhere. The Ambassador's clearance would no longer be required in recommendations submitted by the MAAG officer on Formosa to JCS through CINCFE; the MAAG officer would keep the Ambassador informed by furnishing him copies of all communications, giving him an opportunity to concur or comment. It could be expected, she added, that General MacArthur would insist on the right to communicate directly with JCS on Formosa military matters, and that his recommendations would be received and considered in Washington without prior clearance either by the MAAG officer or the Ambassador. General MacArthur would, however, be instructed to keep Taipei informed of his actions by transmitting copies of telegrams and correspondence.

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[3] A Joint U.S. Military Advisory Group to the Republic of China had been established in October 1948, but by March 1, 1949, all the JUSMAG personnel had been withdrawn; for related documentation, see *Foreign Relations*, 1948, vol. VIII, pp. 239 ff.

[4] On March 8, 1951, the Joint Chiefs of Staff recommended to the Secretary of Defense that a JUSMAG be authorized for Formosa immediately and recommended certain details of organization for the JUSMAG (*Record of the Actions Taken by the Joint Chiefs of Staff Relative to the United Nations Operations in Korea from 25 June 1950 to 11 April 1951, Prepared by Them for the Senate Armed Forces and Foreign Relations Committees, to Be Read by the Members of those Committees and to Be Returned to the Joint Chiefs of Staff*, April 30, 1951, p. 97; Northeast Asian Affairs Files: Lot 60 D 330).

She thus seems to have two propositions in mind for the Formosa chain of command: The first one involves two separate military organizations on Formosa, one responsible directly to General MacArthur and the other technically responsible to the Ambassador in certain respects, but with CINCFE having a veto power; the second involves a single organization, with the Ambassador free to advise and comment but with the final authority residing in the MAAG–CINCFE–JCS chain of command. Under both alternatives, the Embassy would be removed from the scene as far as any real responsibility in military questions is concerned. Major Briggs *did* concede that the Department of State in Washington might have a certain amount of say in policy questions, but warned me that a close working relationship would have to be established between State and Defense, lest the "political desk" unduly delay or impede action on military matters.

My sole reaction to all this was to remark that I believed my office favored the maintenance of a single, well integrated chain of command on Formosa, headed by the official US representative to the Chinese Government viz: the Ambassador. I drew her attention to the difficulties which would arise if there were a double chain of command on Formosa, with the Chinese using both the Embassy and the military for all they were worth. Finally, I repeated that we were by no means convinced that even a standard MAAG, with much of the authority residing in the Embassy, would be appropriate for Formosa. This argument appeared to make little impression on Major Briggs. She informed me, to my surprise, that Admiral Jarrett has already been designated acting MAAG officer on Formosa, and that a permanent MAAG officer has been nominated (but not as yet fully approved in Defense). He is, as I recall General William Curtis Chase, presently on the staff of the Third Army. According to Major Briggs, General Chase is to visit Tokyo in the near future to discuss with General MacArthur the arrangements outlined in the foregoing, in order that a procedure may be devised which fits his wishes.

Mr. Forbes' position was for the most part neutral. He asked me what "political considerations" were involved in these alternatives, and expressed general agreement with my comments regarding the desirability of a unified chain of command. But he also remarked that under the existing circumstances, it appeared logical to give CINCFE a considerable degree of authority regarding military operations on the island, since Formosa is within his military sphere of responsibility.

Major Briggs asked me to discuss these alternatives within FE and to furnish her, through Mr. Forbes, an expression of the Department's views as to the appropriate chain of command for the US military aid organization on Formosa. She asked that if possible we make this information available by the end of this week.

*Comment*

It seems somewhat strange to me that far reaching JCS plans for the control of Formosa military aid would be put to the Department so informally and at a working level. Major Briggs told me that she had been assigned the task of planning a practical military aid organization for the island, and I assume that the reason for her approach to the Department at this stage was to obtain suggestions and ideas as to what form of organization would be acceptable here. Her recommendations would not, of course, represent the final word, and it is possible that her tentative plans do not accurately reflect JCS thinking. From her remarks I would judge that her relationship with the JCS staff on matters of this sort is close. I would also judge that she has been working closely with S/ISA for a considerable period of time on military aid personnel planning. In any event, I believe her remarks (and the JCS and CINCFE documents she showed me) are of considerable interest, indicating the trend of thought in at least one sector of the Department of Defense. I gained the general impression from our discussion (which lasted almost an hour and a half) that JCS is determined to tailor the US military aid organization for Formosa to fit General MacArthur's own desires, regardless of the effect which such a procedure may have on the traditional responsibilities of an ambassador in a recipient MDA country. She referred repeatedly to what the General wanted and "would probably do", with never a hint that JCS would take the initiative in establishing a generally acceptable chain of command.

If we continue to believe that military assistance should be administered as part of our foreign policy, it may be that a word to that effect to Major Briggs and her bosses would be in order at this time. Otherwise, plans of this sort are likely to progress to the point where they are difficult to alter.

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894A.00R/3-1951

*The Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Director, Far East Program Division, Economic Cooperation Administration (Griffin)*

TOP SECRET WASHINGTON, March 19, 1951.

DEAR ALLEN: We have been giving some thought to the policy framework within which this Government should approach the interrelated problems of ECA and MDAP economic and military assistance to Formosa. I am putting in this letter a statement of the policy guide lines which we think should govern ECA planning and operations during the remainder of Fiscal 1951 and during 1952. The principle contained in paragraph 5 is one which will, of course, require study and comment by Defense, but before that is done State and ECA should, I believe, arrange to have a full exchange of views on the whole range of problems arising from our aid programs for Formosa which we are apt to be facing in the coming period.

1. The economic stability of Formosa is a prerequisite for the preservation of morale and will to resist of the government and people of Formosa.

2. Economic stability is the product of psychological as well as strictly economic factors. In consequence, ECA should attempt to engender on Formosa confidence in the long term viability of the Island, a will to assume true responsibility for the operation of the economy, a desire to engage in modest, medium term, balanced development of its resources and productive facilities, as well as to provide assurance that the deficit in its legitimate requirements for consumable commodities will be met by United States assistance.

3. The scope and character of ECA economic assistance to Formosa should be made known to the Chinese in advance and the best use

of that assistance should be understood to depend upon the maximum self-help efforts of the Chinese within that framework.

4. The Seventh Fleet mission in the Formosa Straits should be considered as continuing for an indefinite period of time and United States military assistance to Formosa considered to be for defense purposes only. The possibility that changes in the general international situation will bring about modification of these two assumptions in our military policy towards Formosa should not cause ECA to proceed with its economic assistance on a tentative or timid basis.

5. We believe that escalator arrangements should be worked out with Defense which would make available for Formosa *ad hoc* assistance to meet costs arising out of that increased military assistance which obviously impinge or encroach upon the civilian sector of the economy. The Chinese should have it made clear to them that reckless diversion of Formosa's resources for unjustified military expenditures which will result in unplanned balance of payments deficits will be paid for by increased austerity in the Formosa standard of living and not by the United States.

6. The local relationship between the ECA Mission on Formosa and the Chinese should be governed by the following principles:

> ECA should not present itself to the Chinese as assuming responsibility for the economic viability of Formosa, but rather should present itself as undertaking to assist in making the most effective use of the previously and publicly proclaimed United States resources known to be available to help in achieving that end.
>
> The ECA Mission should advise but should not give direction to the Chinese, overtly or tacitly, in the conduct of the economic administration of the Island.
>
> The political purpose of the economic program should be to create on the Island of Formosa a society which has prospect for enduring as a balanced and productive economic system designed to serve the welfare needs and aspirations of the people of Formosa. The economic objective should not be to erect a structure primarily designed to provide Mainland elements with a short term springboard for realization of their future ambitions since this is clearly beyond the economic capabilities of the Island of Formosa.

When you have had time to form your views on this series of propositions and operating principles, would you call me so that we can arrange a time to meet and discuss them together.[1]

Sincerely yours, DEAN RUSK

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[1] The six numbered paragraphs of the letter were incorporated in an ECA telegram sent jointly to Rankin and Raymond T. Moyer, Chief of the ECA Mission in Taipei, Ecato 319 to Taipei, March 31, 1951; the telegram noted ECA's agreement with the policy outlined and stated that paragraph 5 was being discussed in detail by ECA and the State and Defense Departments (ISA/MDAP Files: Lot 52-51).

NSC–S/S Files: Lot 63 D 351: NSC 101 Series

## *Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council*[1]

TOP SECRET WASHINGTON, March 21, 1951.

### MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

Subject: United States Action to Counter Chinese Communist Aggression

References: A. NSC 101 Series[2]
B. NSC Action No. 420-*c*[3]

The enclosed study of the military effectiveness of the possible use of Chinese forces on Formosa against the mainland of China, submitted by the Joint Chiefs of Staff in response to the reference action, is transmitted herewith at the request of the Secretary of Defense for the information of the National Security Council. It is also being referred to the Senior NSC Staff for use in connection with the current project on "United States National Objectives and Policy in Asia".[4]

JAMES S. LAY, JR.

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[Enclosure]

## *Study Submitted by the Joint Chiefs of Staff*

TOP SECRET [WASHINGTON, March 14, 1951.][5]

### COURSES OF ACTION RELATIVE TO COMMUNIST CHINA AND KOREA—ANTI-COMMUNIST CHINESE

[Here follow the first two sections of the study consisting of estimates of the military strengths and capabilities of both Communist and Nationalist China as of January 1, 1951. Section three quotes the two paragraphs relating to Formosa from President Truman's statement of June 27, 1950.]

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[1] A handwritten notation on the source text indicated that it was seen by Secretary Acheson.

[2] The texts of NSC 101, January 12, 1951, and NSC 101/1, January 15, 1951, may be found on pp. 70 and 79; for text of the State Department draft of NSC 101/1, January 17, 1951, see p. 1515.

[3] NSC Action No. 420-*c*, taken at the NSC meeting on January 17, 1951, requested the Joint Chiefs of Staff to prepare "a detailed study of the military effectiveness of the possible use of Chinese forces on Formosa against the mainland of China, including consideration of the effect of such use upon the defense of Formosa." (NSC–S/S Miscellaneous Files: Lot 66 D 95).

[4] The project culminated with the approval of NSC 48/5 on May 17, 1951; see the editorial note, p. 1671.

[5] The source text is undated, but the copy of the study forwarded to the Secretary of Defense by the Joint Chiefs of Staff on March 16 was dated March 14.

4. Nationalist China is still the legally recognized member of the United Nations from the area of China.

5. Although at present all U.S. military advisory personnel to Nationalist China have been withdrawn, the agreement between Nationalist China and the United States concerning the old Joint Advisory Group, together with its terms of reference, are still in force.[6] On 7[*8*] March 1951, the Joint Chiefs of Staff recommended that a Joint U.S. Military Advisory Group (JUSMAG) be authorized for Formosa immediately.[7]

6. Although Communist China is largely self-sufficient in food and hard fuel, she is dependent upon sea imports in excess of 97 per cent of petroleum requirements and a large percentage of many other materials vital to the economy. China is a country of great distances, limited interior lines of communications and with few land outlets to the outside world. As China's coal and food are produced in certain areas only, distribution is dependent on inland waterways, coastwise shipping and the limited railroad net. Therefore, if these means of transport are disrupted, the entire distribution system will collapse and large areas will be denied many of the essentials of life.

7. *U.S. Naval Amphibious Lift Available at the Present Time:* General MacArthur has U.S. naval amphibious lift for 0.4 combat loaded army divisions. An additional 0.3 division lift is now available in the Pacific. A total lift for 1.0 divisions could be provided within about two months. However, considerable additional lift could be utilized, especially for short hauls such as from Japan to Korea, or from Formosa to China, by the use of excess World War II vessels now in Japan, by utilizing all types of cargo, coastal and other vessels, and by increasing ship lift in accordance with oriental standards. It is estimated that amphibious lift for 100,000 Nationalist troops could be assembled in two months.

8. It is believed that Soviet decision to engage in open war with the United States (United Nations) will be predicated on the Soviet concept of the proper time to do so, which may, of course, be either hastened or delayed by U.S. removal of current restrictions on Nationalist China but which probably will not be precipitated by it per se.

9. The peoples of Asia will be greatly influenced by their judgment as to the probable outcome of any action against the Chinese Communist regime and will be reluctant to commit themselves to take sides, and more particularly, to align themselves with a probable loser. Successful overt action against the Chinese Communist regime would

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[6] There was no formal agreement; see Secretary of State Marshall's letter to Secretary of Defense Forrestal, August 4, 1948, in *Foreign Relations*, 1948, vol. VIII, p. 268.

[7] See footnote 4, p. 1593.

invoke favorable reactions in most of the non-Communist Asiatic nations, though little material aid could be expected from them. There are at present non-Communist governments in Indochina, Malaya, Siam, Burma, Formosa, Pakistan, Hong Kong, Indonesia, Japan, and the Philippines. These governments and the anti-Communist element among their peoples would be encouraged in their own efforts against communism by strong action against Communist China. The anti-Communist elements and guerrilla forces on the mainland of China would also be encouraged and motivated to positive action. India, however, though non-Communist, could be expected to condemn any overt action against the Chinese Communist regime. Nehru recognized the Chinese Communist Government, would oppose any extension of hostilities, and would particularly condemn U.S. aid and assistance to the Chinese Nationalists because he opposes any participation by the "white man" in Asian affairs.

10. There is evidence to indicate that a substantial part of the Chinese people are thoroughly disillusioned with the Chinese Communist regime, and it is estimated that about 700,000 are engaged in active resistance operations, ranging from local banditry to organized guerrilla warfare.

11. Although the Communists were formerly welcomed by many Chinese as the lesser of two evils, another switch in allegiance by those same Chinese would not be unlikely. For example, the actual benefits to the farmer resulting from the agrarian reform have been considerably smaller than the Communist propaganda line would indicate. While he has been gaining land to farm without high rentals, the tax in the form of confiscation of a large part of his production has left the farmer with approximately the same net result as heretofore.

12. Nationalist troops have undergone extensive and prolonged training, but, due to inept leadership and poor living conditions, there is some question of their morale. Knowledge that they were receiving full-fledged aid from the United States would provide a tremendous lift to morale. It is highly probable that, provided with effective leadership, modern equipment, and logistic support, they could be brought to a point of efficiency equal to that of the average of the Chinese Communist Army. The use of Chinese Nationalist Forces in any war with Communist China would be most desirable from a military viewpoint. They constitute the only immediately available ground forces for use on the mainland of China, and their acceptance and use would inspire hope among millions of non-Communist Chinese on the mainland of China and non-Communist sympathizers throughout Asia. An increase in the tempo of guerrilla activity and sabotage with-

in Communist China would be promoted while, at the same time, the threat of Nationalist landings on the China coast would prevent further CCF* withdrawal from South China for transfer to Manchuria and Korea. Furthermore, this trend combined with possible large-scale guerrilla activity in Kwangsi and Yunnan would materially reduce pressure on Hong Kong and Macao, and reduce support of the Viet Minh.

13. Chinese Nationalists have an excellent system of intelligence in the central coast areas of China, the accuracy of which has been frequently verified. However, their means of obtaining intelligence elsewhere is extremely limited. Therefore, it is considered that if augmented by U.S. air and naval intelligence, it would not be likely for the Communists to trap any Nationalist landing force on the mainland due to surprise action.

14. In the light of past experience and present conditions in the Chinese Nationalist military command, it is considered that the establishment of a Joint U.S. Military Advisory Group is mandatory in the event of further U.S. logistical support to ensure that: supplies are not misappropriated, troops are properly fed and paid, equipment is properly maintained and utilized. Such a group should have representation down to the battalion level, and in time may require about 2,000 officers and men for full implementation. In addition, the magnitude of our aid should be used as a lever by the head of the group to ensure that operational advice is accepted.

15. Areas of operation on the Chinese mainland suitable for Nationalist attack contain few vital objectives. Fukien Province, directly opposite Formosa, is wild, mountainous, semi-tropical, and sparsely populated in comparison with the rest of China. The bulk of the people live on the coastline, where fishing is a major industry. The interior is infested with bandits, who will fight on any side which pays them. This area is suitable for the establishment of a guerrilla operating base. From such a base, underground control and supply lines to the north, west, and east could be maintained to other guerrilla groups.

16. To the south, the Crown Colony of Hong Kong, with British sensitivity, its trade and traffic, makes any overt operation by the Nationalists in the Canton area undesirable initially.

17. To the north stands Shanghai, at the mouth of the Yangtse River. From the city, south for about 100 miles, the coastline contains good beaches, and is protected by numerous offshore islands. Just south of Shanghai is one of the largest airbases in China. Furthermore, the area inland, between the Yangtse and Yellow Rivers, is the

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*Chinese Communist Forces. [Footnote in the source text.]

rice bowl of China. Thus, this area is suitable for a large-scale lodgment or for commando type raids.

18. Amphibious operations by the Nationalists against the mainland south of Canton and north of Shanghai are not considered feasible due to logistical problems, and the danger of annihilation.

19. In view of the foregoing, the probable military effectiveness of the Chinese Nationalist forces in operations against the mainland is considered under five different cases below. In this connection, the element of Soviet participation has been excluded. Should overt participation occur at any time, our entire course of action in the Far East would be immediately altered to one of strategic defense, due to actual or threatened general war. In this case, the use of Chinese Nationalist Forces on the mainland of China would depend on the degree of direct Soviet participation within China, and our own ability to assist with either matériel or supporting forces. Soviet covert participation, probably by air and naval units only, would correspondingly reduce Nationalist overt effectiveness, but would not seriously impair Nationalist covert capabilities.

*a. Case I.* The protection of Formosa by 7th Fleet and restrictions on mainland operations by the Nationalists are both removed; the present Military Aid Program (MAP) is continued, but no additional logistical support is given the Nationalists. In this case, nearly the entire Nationalist strength will be required for defense of Formosa, and nothing more than a few small harassing raids by air and sea could be attempted. Raids by ground troops would be subject to the principal danger of defection, and in any event, Formosa would probably fall within a year.

*b. Case II.* The protection of Formosa by the 7th Fleet is continued, but restrictions on mainland operations by the Nationalists are removed; the present MAP is continued, but no additional logistical support is given the Nationalists. In this case, the Nationalists could spare approximately 150,000 troops from the defense of Formosa, but transport and resupply problems would probably limit mainland operations to the establishment of one or two small guerrilla bases in Fukien Province, and scattered large-scale raids of not over 10,000 men each. These raids could remain ashore one to three weeks, depending on the time required for the Communist Chinese to muster sufficient ground forces to defeat the beachhead. The principal military effect would be to force the Communists to station additional troops, possibly as many as 200,000, in the vulnerable coastal areas.

*c. Case III.* The same as Case II above, but in addition supplies and incentive bonuses for guerrillas are furnished to the Nationalists by the United States. In this case, an additional Nationalist capability would be created. They could probably accelerate the tempo, increase the combat effectiveness and widen the area of guerrilla activity with logistical support. With outside leadership, organization and bonuses, they could probably improve cohesion and control, and enlarge the guerrilla force somewhat. The principal military effect would be active guerrilla warfare throughout the provinces of Chekiang, Fukien, Kwangsi and eastern Kwantung. Probable subsidiary effects would be: a disruption of the coastwise shipping (junk); harassment of mainland fishing fleets; destruction of Communist military depots in the area designed to support attack on Formosa; and disruption of the economies of Fuchow, Amoy, and Swatow, the principal economic centers of the area.

*d. Case IV.* The same as Case III above, but additional logistical support in the form of rations, supplemental pay, individual equipment, to include expanded supplies and incentive bonuses for guerrillas, are furnished by the United States. In addition, a full-scale Joint Military Advisory Group down to battalion level would be mandatory, as noted in paragraph 14 above. In Case III, in addition to capabilities noted above, the Nationalists could maintain several large-scale guerrilla bases in Fukien Province. In coordination with amphibious operations, they could probably retake and hold certain Kwangsi air strips by use of guerrillas presently in the area, and thereby open an air route to Yunnan Province. Thus, widespread guerrilla activity could be fostered in an area which has always been difficult for the central government to control, which is important as being on the Indochinese border, and which contains one of the largest airports in China, at Kunming. They could probably, by a combination of guerrilla and overt operations, keep the rail and coastwise shipping in a state of disruption. Since the principal rail lines throughout China could be cut from time to time, and since the distribution of food and other necessities in many areas depends largely on rail traffic, this action would require the utilization of additional thousands of CCF troops for security duty throughout China. They could probably make landings of 10,000–15,000 troops and remain ashore for from one to eight weeks, or perhaps indefinitely in small mobile groups, depending upon the Communist Chinese ability to muster forces to dislodge them. This would be affected in large part by the aid which they receive ashore. However, it cannot be expected that any large-scale defections of Communist troops or even civilians will take place until it is believed that the Nationalists have a good chance of remaining ashore and expanding their bridgehead. Unless the USSR should withdraw support of Communist China, this would probably not take place for a long period of time, except as noted under Case V, below. The principal effect of this course would be to sow the seeds of rebellion which might in the long-term succeed in overthrowing the Communist Chinese Government, but in the short-term would preoccupy perhaps a third of the CCF first-line troops, in addition to an estimated one-third of the total of CCF second-line troops currently considered engaged against guerrillas on the mainland of China.

*e. Case V.* The same as Case IV, except that active support to landing operations is given by U.S. air and naval units. In this case, not only would the scope of guerrilla operations be greatly expanded, but the overt aid given by U.S. armed forces would indicate that the Nationalist beachheads would be supported, retained, and enlarged. With reasonable security against reprisal, large numbers of defections from Communist troops and the citizenry could be expected. The extent to which a massive landing (involving initially 150,000 troops without endangering Formosa) would succeed, and how well it could eventually maintain itself from mainland sources, is a matter of speculation. However, the chances for eventual complete collapse of the Communist Chinese Government are definitely present. In any event, the effectiveness of the CCF would be reduced (and the threat to peripheral areas correspondingly minimized) in direct proportion to the effort and zeal invested in this undertaking.

20. Active operations under the conditions of Cases I, II, and III can be initiated almost at once. However, three to six months would be required before major operations could be carried out under the conditions of Cases IV and V.

21. The military effectiveness of the use of Chinese forces on Formosa against the mainland of China will be in direct proportion to the aid and guidance given by the United States. In short, the Chinese Nationalists are not capable of continued overt activities at this time without direct U.S. military support. Even with U.S. air and naval support (Case V above), the ultimate success of military operations on the mainland is questionable. It follows that Chinese Nationalist forces should be equipped by MDAP along somewhat austere standards, but trained for eventual employment on the mainland. In the meanwhile, U.S. identification with guerrilla warfare, either in conjunction with Nationalist or independent efforts, should be a prelude to larger overt operations using Chinese Nationalist forces if such should appear practicable in the future.

22. The courses of action proposed in paragraph 9 of NSC 101/1 will have very little immediate effect on our position in the Far East. However, if taken in conjunction with the other courses of action now under consideration for the Far East the combined results in

time may well: deny all of China south of the Yellow River to Communism; eliminate Communist logistic support in Indochina; disrupt the economy in the remainder of China; banish the threat of armed aggression in other parts of Asia; reduce the effectiveness of Communist Chinese military forces, and do much to counter the myth of Communist invincibility throughout the world.

23. In the consideration of Cases II, III, and IV and V above, the Chinese Nationalist forces retained on Formosa are considered adequate for the defense of that island. It is noted that in each of these cases protection of Formosa by the 7th Fleet was assumed. If such protection is removed (Case I) it is believed that the Chinese Communists could conquer Formosa within a year.

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794A.5/3-2351

## *The Director of the Bureau of the Budget (Lawton) to the Under Secretary of State (Webb)*

SECRET WASHINGTON, March 23, 1951.

MY DEAR MR. WEBB: There is pending in the Bureau of the Budget a requested Presidential allocation of $21,200,000 for Formosa from funds made available for 1951 pursuant to section 303 of the Mutual Defense Assistance Act, as amended. Since this proposed allocation is part of a total program of approximately $450,000,000 running into 1953, a large part of which will require early action in connection with the foreign aid authorization for 1952, it is believed appropriate at this time to seek a review of our objectives in Formosa and the relationship of these objectives to the developing military and economic programs.

Heretofore, economic and military programs for Formosa have been approved on a tentative basis consistent with the most recent decision of the National Security Council on August 3, 1950.[1] This action, as you know, called for a survey to determine the deficiencies of the armed forces on the Island and, at the same time, to make a realistic appraisal of their ability to repel a determined assault from the mainland of China. This military survey, generally known as the Fox Survey, has been completed.

In addition, the ECA STEM program for Formosa has been developed subsequent to the tentative NSC determination. Because of the magnitude and long range characteristics of these programs, it is believed desirable to clarify our objectives on Formosa and the relationship of the proposed military and economic programs thereto. Specifically:

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[1] The reference is to NSC 37/10, August 3, 1950; for text, see *Foreign Relations*, 1950, vol. VI, p. 413.

1. What are immediate U.S. objectives with respect to Formosa?

2. In light of recent and prospective political and military developments, can we continue to assume that accomplishment of these objectives is consistent with efforts to achieve a settlement in Korea?

3. To what extent would a settlement in Korea be likely to affect the amount, form, and timing of U.S. aid to the Chinese Nationalist Government?

4. In what respect is the future of Formosa involved in the proposed pending treaty of peace with Japan?

5. What is the long-term U.S. objective in Formosa:

*a.* How are political and economic interests in the area balanced against military objectives in arriving at this policy?
*b.* Is it anticipated that U.S. objectives can be achieved through United Nations action?

6. How are present and projected U.S. programs related to these objectives given in 1 and 5 above?

*a.* Is the mission of the armed forces purely defensive?
*b.* How large a military establishment is required?
*c.* What are its matériel deficiencies?
*d.* What are its training and morale deficiencies?
*e.* What degree of U.S. supervision of the Nationalist forces will be required to make military assistance effective?
*f.* What priority in relation to other mutual assistance programs will be accorded to deliveries of military equipment to Formosa in fiscal year 1951 and fiscal year 1952?
*g.* What provision will be required to absorb the additional impact of an expanded military end-item program on the economy of Formosa?
*h.* What level of general economic aid is required to achieve our objectives?
*i.* Are projects for long-term economic development essential to attainment of presently-known U.S. objectives?

It is understood that subsequent to the submission of this request the subject of our over-all policy in the Far East has been under discussion by the National Security Council senior staff. I would like to urge that every effort be made to expedite the consideration of this matter. In addition, it is requested that the Department of State, in cooperation with the Department of Defense and Economic Cooperation Administration, undertake to develop the specific answers to the above questions which we believe are required to satisfactorily review the pending allocation and the foreign aid authorization for 1952.

Sincerely yours, F. J. LAWTON

S/P Files: Lot 64 D 563

## *Memorandum by John Paton Davies of the Policy Planning Staff*

TOP SECRET [WASHINGTON,] March 24, 1951.

### NEGOTIATED SETTLEMENT OF THE KOREAN CONFLICT

Lie's [1] suggestion to Gross that Gromyko [2] would be prepared to talk about Korea [3] is a fairly clear indication that the Kremlin is interested in discussing with us a negotiated settlement of the Korean conflict. It seems that the very least we should do in this circumstance is to undertake a probing for intelligence purposes of the current Soviet attitude on the Korean impasse. This can be done without prejudice to a continuation of hostilities, if the Soviet reaction does not offer promise of a settlement acceptable to us.

It is therefore recommended that Bohlen [4] be instructed to provide Gromyko's principal assistant, Lavrentiev,[5] an opening to raise the question of Korea and develop for our benefit Soviet thinking regarding a negotiated settlement. Because the Russians are likely to be more communicative if they think they are dealing only with us, as the only other great power in the world, the discussion should be bilateral rather than quadripartite. As the conversation should be on an informal basis and so contrived that Lavrentiev takes the initiative, we need not in advance of the event inform the British and French that we are conducting this exploration. Only if the Soviet proposals look attractive should the talks be raised to the Jessup-Gromyko level. We can cross that bridge when we come to it.

There is attached a suggested draft telegram to Jessup and Bohlen in implementation of the above recommendation.[6]

It is axiomatic in traditional diplomacy that when one is confronted with two enemies it is often profitable to play them off against one another. To our discomfort we recognize that the Russians are doing just that with respect to ourselves, the British and the French. Thus far we have not consciously undertaken to do this in the case of the

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[1] Trygve Lie, Secretary-General of the United Nations.

[2] Andrei Gromyko, Soviet Deputy Minister of Foreign Affairs, was in Paris as head of the Soviet Delegation to the meetings of the Deputies of the Foreign Ministers of the United States, France, the United Kingdom, and the Soviet Union, March 5–June 21; for documentation concerning the meetings, see vol. III, Part 1, pp. 1086 ff.

[3] For Lie's suggestion, see telegram 1293 from USUN, March 16, 1951, p. 239.

[4] Charles E. Bohlen, Minister at the Embassy in Paris, was a member of the U.S. Delegation, headed by Ambassador Jessup, to the Deputies meetings.

[5] A. I. Lavrentiev, Soviet Deputy Minister of Foreign Affairs, was a member of the Soviet Delegation to the Deputies meetings.

[6] The draft telegram is not printed, but see telegram 5207 to Paris, April 3, 1951, p. 290, which was almost identical.

Moscow-Peiping axis. The present might be a good time to essay a beginning. Certainly the Korean conflict would appear to be the most likely issue on which to foster friction between the Soviet Union and Communist China.

Therefore, it is recommended that simultaneously we conduct an exploratory operation towards the Chinese Communists seeking to elicit from them their version of the terms on which they would settle the Korean conflict. We may discover that they have the same terms which the Kremlin offers us. If so, we will have acquired an interesting piece of intelligence. If not we will have acquired an even more interesting piece of intelligence—and an opportunity of major and far-reaching importance.

There is no one in the Far East qualified and in a position to perform this mission. It is therefore recommended that Mr. C. B. Marshall be instructed to proceed to Hong Kong immediately for this purpose.

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CA Files : Lot 59 D 228 : Telegram

## *The Commander in Chief, Far East (MacArthur) to the Joint Chiefs of Staff*[1]

TOP SECRET PRIORITY TOKYO, 25 March 1951—6:49 p. m.

C 58575. COMNAVFE[2] has suggested the following: "Provided that the situation in Korea does not become worse, and subj to the approval of the CINCFE, the Commander Seventh Fleet will be directed to obtain necessary photographic intelligence of the China coast and Hainan and to make a show of force in the East and South China coastal and Formosa Straits areas. In order to perform these tasks a force from the Seventh Fleet consisting of 2 CV, the Cruiser Manchester and appropriate destroyer escorts will depart Japanese waters in early April and return after a period of not more than two weeks. Priority will be given to obtaining the photographic intelligence so that as much as practicable of this information will be accumulated quickly should be a premature return to Japan–Korea waters become necessary.

This visit to the Formosan area will serve not only as a show of force and permit the gaining of intelligence but also will provide area familiarization for the ships crews and pilots, act as deterrent to a Chinese

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[1] An undated note in Clubb's handwriting, attached to the source text, called the telegram to Rusk's and Merchant's attention: "To note as important." Another attached undated note, in Rusk's handwriting, read, "This should be shown to Nitze. D.R."

[2] Vice Adm. C. Turner Joy, Commander Naval Forces, Far East.

Communist invasion of Formosa and boost the morale of the Chinese Nationalists. Photographic surveillance of Hainan will provide data to determine the extent of the reported buildup of military installations in that area.

This operation will take place following prolonged period of air interdiction and close air support missions and will be of such short duration that the Chinese Communists and North Koreans should be unable to greatly augment their units in Korea or rebuild their surface communication facilities. In addition the force will be available for immediate recall should the need for their capabilities arise in an emergency. All naval units other than the two carriers, the Cruiser and the accompanying escorts will continue current operations in the Korea–Japan area.

From the standpoint of the Korean campaign there is no objection. The views of the Joint Chiefs of Staff as to whether such a maneuver is desirable are requested.["] [3]

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[3] The Joint Chiefs of Staff replied in JCS telegram 86789, March 26, 1951: "JCS consider the operation outlined your C 58575 to be desirable. JCS also recognize that as sea conditions in the Formosa Strait improve it will be necessary to increase general readiness to accomplish missions assigned you with respect to Formosa" (CA Files: Lot 59 D 228).

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793B.00/3–2751: Telegram

### *The Ambassador in India (Henderson) to the Secretary of State*

SECRET NEW DELHI, March 27, 1951—6 p. m.

2586. Kennedy [1] and Steere [2] called Foreign Secretary Menon today. Queried re Tibet, Menon said Tibetan del [3] saw him yesterday, Nehru today. His conversation had been largely generalities. Discussing Chi terms for agreement; i.e. control foreign affairs and border defense, Menon said Tibet had no foreign affairs except with India and that on tenuous basis. He thought Tibetans likely reject Chi defense Tibetan borders and said if he had been asked, he wld have advised they point out Chinese that Tibetan foreign frontier entirely with India and Nepal, which countries friendly both Tibet and China.

Queried re position if Tibetan-Chinese negotiations breakdown, Menon said he thought there might then be advantage dealing with case UN.

HENDERSON

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[1] Donald D. Kennedy, Deputy Director of the Office of South Asian Affairs.
[2] Loyd V. Steere, Counselor of Embassy in New Delhi.
[3] Two members of a Tibetan Delegation en route to Peking for negotiations concerning Tibet's status had arrived in New Delhi on March 24.

793B.00/3-2751: Telegram

### *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, March 27, 1951—6 p. m.

5089. FonOff has received tel dated March 26 from Peiping quoting Panikkar as stating he had been informed by Chou En-lai that Tibetan question settled along lines recommended by GOI about as follows:

Dalai Lama authorized retain both temporal and spiritual supremacy. CPG recognized Tibetan autonomy subject Chinese suzerainty and Chi responsibility defense frontier. Panchen Lama[1] given permission return Tibet. 80 per cent Tibetan monks have assented to CPG formula and are convinced neither their religion nor their property endangered. However certain older and more reactionary monks capable of being obstructive. Tibetan mission en route Peiping; some members have already arrived Chengtu. CPG agreeable GOI retain trade mission Tibet but no relations with other foreign powers.

Sent Department 5089 repeated information Delhi 151.

GIFFORD

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[1] Lama of the Tashilhunpo monastery at Shigatse. The tenth (or seventh) Panchen Lama, who had been formally recognized by the Chinese Nationalist Government in 1949 but had not been so recognized in Tibet, was in the People's Republic of China.

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New Delhi Post Files: Lot 58 F 95

### *The Ambassador in India (Henderson) to the Director of the Office of South Asian Affairs (Mathews)*

TOP SECRET NEW DELHI, March 29, 1951.

DEAR BERT: Without instructions I am taking certain action with regard to Tibet to which I hope the Department will not take undue exception.

Mr. Henrig Harrer, Austrian tutor of the Dalai Lama, was brought in to see me by Mr. James Burke of *Life* and *Time* magazines. Mr. Burke is getting some important stories from Mr. Harrer and has been keeping him under cover in New Delhi.

Mr. Harrer told me that the Dalai Lama is very much in need of advice. He says the young man is much more intelligent and is better informed regarding world affairs than any of his advisers. The Dalai Lama is also deeply conscious of the need for social and other reforms in Tibet. He trusts the United States more than any other country and has been disappointed in the ability [*inability?*] of Tibet to establish closer relations with the United States.

With great reluctance the Dalai Lama is sending the present mission to Peking. He has not given this mission any plenipotentiary powers since he fears that even though his brother-in-law is a member of the mission that it might yield to pressure. The Dalai Lama has doubts about returning to Lhasa. Some of the monks about him, however, insist that he should come to terms with Peking and do so. The Dalai Lama does not know which way to turn for advice.

I am inclined to believe that Mr. Harrer is telling me the truth. Mr. Burke, who has been carrying on long conversations with Mr. Harrer, also believes in him. Mr. Burke knows necessarily part of this story and is sworn to absolute secrecy.

I am convinced that if the Dalai Lama goes back to Lhasa with his treasures both he and his treasures will eventually fall into the hands of the Chinese Communists. Furthermore, if he leaves his treasures in Sikkim, where they are at present, I am afraid that the Government of India will treat them in exactly the same way that they treated the funds left in India in special accounts by the Nationalist Government of China; that is, freeze them until the courts decide what is to be done with them. The Dalai Lama is also very much afraid that at the last moment the Indians will even refuse him asylum. According to Mr. Harrer, the Government of India has thus far not promised to give the Dalai Lama asylum. It seems that unless someone in whom this young man might have confidence should give him advice, he will fall into the Chinese Communist trap, or he will be in an extremely unenviable position in India.

On my own initiative, therefore, I am endeavoring to send to the Dalai Lama a message, a copy of which is attached. I am trying to send this message by two channels: (1) I have given a copy to Latrash,[1] who has left this morning for Calcutta. In Calcutta he will discreetly endeavor to get in touch with one of the two members of the Tibetan Trade Mission and inquire if one of them is in a position to take the message and to hand it personally to the Dalai Lama in Yatung. If one of the members of the Trade Mission cannot undertake to give the message to the Dalai Lama personally, Latrash is not to entrust the errand to the Trade Mission.[2] (2) . . . .

The paper on which the messages are written has been purchased in India and will bear no indication of origin. Both Mr. Latrash and

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[1] Frederick W. Latrash, Vice Consul in New Delhi.

[2] According to a letter to Henderson from Fraser Wilkins, First Secretary of Embassy in New Delhi, May 23, 1951, not printed, Henderson's message was not sent through the Tibetan Trade Mission. On May 13, during a visit to Kalimpong, India, for discussions with Tibetan officials, Wilkins gave a copy to Dzasa Liushar, the Tibetan Foreign Secretary (New Delhi Post Files: Lot 58 F 95).

Mr. Harrer are to insist that there shall in no event be anything in writing which will indicate that the messages come from me. The Dalai Lama is, however, to be told orally that I am sending a message to him. I shall have to trust the ingenuity of Latrash to arrange for this oral message to be delivered.

I realize that a considerable amount of risk is involved in sending a message of this kind. My judgment is that it is better for this risk to be taken than to see the Chinese Communists succeed by trickery in taking over Tibet and in gaining control of the Dalai Lama and his treasures. I have not informed the Department of this matter by telegram or asked for its authority, because of my fear of a leak. Furthermore, if my message should become public, the Department is free, if it desires, to disclaim any responsibility in the matter.

My taking of this action does not mean that I have any intention of following the practice in the future of going ahead in matters of this kind without proper authority. I realize the danger of officers in the field committing acts on their own which might not be in line with the policies of the Department. It seems to me, however, that this was one of the rare occasions when I should move forward fast, taking upon myself the entire responsibility for the consequences.

Please inform George McGhee and Dean Rusk of my action. I leave to your and their discretion the decision as to who else should be brought into the secret. The appropriate members of the unnameable agency should, of course, be informed.

Sincerely yours, LOY W. HENDERSON

[Enclosure]

TOP SECRET [NEW DELHI, undated.]

A high foreign official who has recently visited Asia and who has sympathy for Tibet and deep concern for the welfare of His Holiness and His people sends the following earnest suggestions to His Holiness:

"1. The Peiping Communist regime is determined to obtain complete control over Tibet. No concession made to that regime by His Holiness can change this determination. The Chinese Communists prefer to gain control through trickery rather than through force. They are therefore anxious to persuade His Holiness to make an agreement which would allow them to establish a representative in Lhasa.

"2. The establishment of a representative of the Peiping Communist regime in Lhasa would serve only to speed up the seizing of all of Tibet by the Chinese Communists.

"3. Until changes in the world situation would make it difficult for the Chinese Communists to take over Tibet, His Holiness should in no circumstances return to Lhasa or send his own treasures or those of Tibet back to Lhasa. . . . Any treasures which might be returned to Lhasa would eventually be taken over by the Chinese Communists.

"4. His Holiness should not return to Lhasa while the danger exists that by force or trickery the Chinese Communists might seize Lhasa. He should leave Yatung for some foreign country if it should look like the Chinese Communists might try to prevent his escape.

"5. It is suggested that His Holiness send representatives at once to Ceylon. These representatives should try to arrange with the Government of Ceylon for the immediate transfer to Ceylon of the treasures of His Holiness. They should also try to obtain permission for His Holiness and His Household to find asylum in Ceylon if His Holiness should leave Tibet. After the Government of Ceylon has granted permission for asylum, His Holiness should ask the Government of India for assurance that if he and His Household should leave Tibet they could pass through India to Ceylon.

"6. If His Holiness and His Household could not find safe asylum in Ceylon he could be certain of finding a place of refuge in one of the friendly countries, including the United States, in the Western Hemisphere.

"7. It might also be useful for His Holiness immediately to send a mission to the United States where it would be prepared to make a direct appeal to the United Nations. It is understood that His Holiness is already aware that favorable consideration will be granted to the applications made by members of a Tibetan mission to the United Nations for United States visas."

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793.5 MAP/3-2951

### *The Director of the Far East Program Division, Economic Cooperation Administration (Griffin) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*

SECRET WASHINGTON, March 29, 1951.

DEAR LIVY: According to the reports from the ECA Mission on Formosa, indications are that the Chinese Military authorities feel that the United States will underwrite local currency expenses required to implement the military assistance program. As you can well appreciate, such an attitude on the part of the Chinese Military authorities can prove to be extremely dangerous. Pending the establishment of a policy for handling "impact costs" in which State, ECA, and the Defense Department are in accord, it seems highly desirable to us that the Chinese Government be officially notified that the United States will not tolerate unwarranted military expenses nor diversion of Formosa's resources to the point of endangering the economic stability thus far achieved.

We have prepared the attached draft cable[1] which we feel should go out as a Department cable to the Embassy which provides for a course of action, in coordination with the ECA Chief of Mission, to make known to the Chinese authorities our position in respect to unwarranted over-expansion of the military budget. Subject to changes and corrections in the attached draft as you consider appropriate, we suggest early dispatch to the Embassy in Taipeh.[2]

R. ALLEN GRIFFIN

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[1] Not printed.

[2] See telegram 1035, April 4, to Taipei, p. 1619, which was a revised and expanded version of the draft cable.

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794A.5 MAP/3-3151

## *Memorandum by the Director of International Security Affairs (Cabot) to the Assistant to the Secretary of Defense for International Security Affairs (Burns)*

TOP SECRET [WASHINGTON,] March 31, 1951.

Subject: Establishment of a MAAG Formosa.

Reference is made to your memorandum dated March 26, 1951[1] on the subject given above.

As I indicated in the ISAC meeting yesterday,[2] the Department of State is in full agreement with the Department of Defense on the need for the immediate establishment of a MAAG Formosa and that the initial increment for that MAAG should be selected, briefed, and be sent to Formosa as promptly as possible in order "to survey the actual requirements and to handle MDAP equipment expected to arrive in the near future". In this connection a recent telegram (Taipei 1286, March 24)[3] indicates the importance of refining for the MDAP programs for Formosa.

The Department of State is not prepared, without further consideration, to agree with the Department of Defense recommendation that "CINCFE, as Commander-in-Chief of an operational theater, be authorized to initiate and execute such matters of a military nature as he considers necessary and urgent, but that he be charged with immediately and simultaneously informing the Department of Defense, the Ambassador and the MAAG Chief of any such actions". It is also noted that your memorandum states that the Joint Chiefs of Staff "have concluded that the current mission of the Commander-in-Chief, Far East (CINCFE), with respect to Formosa and the military importance of the island dictate that all U.S. military activities on Formosa be the responsibility of CINCFE". The Department of State believes that a set of military and economic objectives consistent with our foreign policy should be pursued with respect to Formosa, requiring coordinated action in policy formulation and in administration. I do not need to mention the difficult political problems which relate to Formosa. Moreover, the ECA program for Formosa is being formulated to provide economic assistance to the basic economy of the island including the furnishing of common use items for existing Chinese Nationalist forces and the support of the Formosan budget and the military component thereof. Clearly the military and the economic assistance programs for Formosa should be closely coordinated. The same considerations will apply in connection with the Fiscal Year 1952 program. I should, therefore, want to discuss informally with you the reasons why the Department of Defense considers the military factors to be of such importance as to require that all U.S. military activities on Formosa be treated as occurring in an operational theater.

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[1] Not printed.

[2] The International Security Affairs Committee was an interdepartmental committee representing the Departments of State, Defense, and Treasury, the Executive Office of the President, the Bureau of the Budget, and the Economic Cooperation Administration; its minutes may be found in ISAC Files: Lot 53 D 443.

[3] The reference telegram pointed out superfluities and omissions in the fiscal year 1951 military aid program and attributed them to the exclusion of the service attachés in Taipei from the planning process (793.5 MAP/3-2451).

The discussion which I suggested in the foregoing paragraph will also be helpful to me in preparing a reply to certain policy questions raised by the Director of the Bureau of the Budget,[4] which require a satisfactory response before the Director will recommend to the President the release of further MDAP Fiscal Year 1951 funds for the implementation of military assistance programs for Formosa.

Since I recognize the urgency of a prompt solution of this matter, I shall be glad to discuss this matter with you at your convenience.

I have designated Mr. Willard Galbraith to represent the Department of State on the proposed State-Defense-ECA working group which is to develop recommendations for ISAC on the relationships between the Minister, the ECA Mission and MAAG. Mr. Halaby [5] advises me that he will designate the ECA representative shortly. I suggest that you have your representative get in touch with Mr. Galbraith directly so that the working group can get started at once.

THOMAS D. CABOT

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[4] See Lawton's letter to Webb, March 23, 1951, p. 1605.

[5] Najeeb E. Halaby, Jr., Assistant to the ECA Administrator for International Security Affairs.

## *Editorial Note*

For the texts of a letter from Acting Secretary of Defense Robert A. Lovett to Secretary Acheson, March 31, and an enclosed memorandum from the Joint Chiefs of Staff to the Secretary of Defense, March 27, both of which concerned, in part, the questions of Formosa and Chinese representation in the United Nations, see page 285.

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S/P Files : Lot 64 D 563

## *Memorandum on the Substance of Discussions at a Department of State–Joint Chiefs of Staff Meeting*[1]

TOP SECRET [WASHINGTON,] 4 April 1951—11 a. m.

PRESENT

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|---|---|
| General Bradley | Mr. Matthews |
| General Collins | Mr. Nitze |
| General Vandenberg[2] | Mr. Merchant |
| Admiral Sherman | Mr. Berry[4] |
| Admiral Davis | Mr. Ferguson |
| General Bolte | Mr. Marshall |
| Admiral Blandy [*Duncan?*][3] | Mr. Tufts |
| General White | Mr. Villard[5] |
| Admiral Lalor | Mr. Lay |
| Colonel Carns | |

[Here follows a discussion of the situation in Korea and of policy differences between the United States and the United Kingdom.]

*Formosa*

MR. NITZE: We have one more question. It concerns the plans for a naval show of force. I understand that a task force is going through the Formosa Straits and down to Hainan. Does the JCS have a view on the desirability of this?

ADMIRAL SHERMAN: We have given them a job to do—to get some photographs for reconnaissance purposes. The best way to get these is to use aircraft from naval vessels. It is not so much a show of force as a demonstration that we are still on the job that was assigned to us last June. Last summer the ships were there often. During the winter they have been away. Now spring is coming and it is essential to go back on a tour through the area.

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[1] The source text represents a State Department draft, not cleared with any of the participants.

[2] Gen. Hoyt S. Vandenberg, Chief of Staff, U.S. Air Force.

[3] See footnote 10, p. 1536. No other record of the meeting has been found to permit checking the names of those present.

[4] Burton Yost Berry, Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs.

[5] Henry Serrano Villard of the Policy Planning Staff.

**Mr. Matthews**: Are these only U.S. ships?

**Admiral Sherman**: Yes, the U.K. takes no part at all in the Formosa operation.

**General Bradley**: We can't maintain our position up north without any action in the south.

**Mr. Nitze**: The way this thing is handled will have an important effect in our discussions with the British. If it looks like a development of the MacArthur policy, we will be building trouble for ourselves.

**Admiral Sherman**: Nothing happens except that we go down there. We would not go while the Korean situation is bad.

**Mr. Matthews**: Did they go all the way to Hainan before?

**Admiral Sherman**: No, they don't have to go that far in order to get reconnaissance photographs.

**Mr. Nitze**: We agreed that air reconnaissance should go forward. Has that shown anything?

**Admiral Sherman**: There has been very little, if any, air reconnaissance so far. What we want to do is send in fast photographic planes combined with naval operations. We haven't had anything there except patrol boats.

**General Bradley**: The photographic reconnaissance from the air has not started. If we don't do this, we will have to abandon the directive of last summer.[6]

**General Collins**: I think we should do it and not tell the British anything about it.

**Mr. Merchant**: The British were in fishing yesterday. They informed us that a British cruiser had been sent on a diversionary sweep.

**Admiral Sherman**: They are creating a straw man. The U.K. is not a party to the Presidential Directive.[7] If they want to discuss this matter, that is all right, but we should not let them nibble it to death by tactics like this. Any interference from them on our sending of ships to Formosa would require us to get a change in the Presidential Directive.

**Mr. Nitze**: That is not the problem. We have got to face, however, the political problems involved in a show of force. The normal movement of ships down there is one thing, but a show of force is another thing altogether.

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[6] The reference is apparently to a JCS directive to General MacArthur in the summer of 1950 to conduct, under certain limitations, photographic reconnaissance of the China coast; see Lay's memorandum to the National Security Council, August 2, 1950, in *Foreign Relations*, 1950, vol. VI, p. 406.

[7] President Truman's directive of June 27, 1950, *ibid.*, vol. VII, p. 202.

**General Collins**: I did not know that we were going as far as Hainan.

**Admiral Sherman**: I think the project is to go to the Formosa straits and to fly planes to Hainan.

**General Bradley**: It has to do with the possibility of an invasion of Indochina from Hainan.

**General Collins**: The French think that they can take care of any invasion from Hainan. I did not know of any show of force in the area of Hainan.

**Admiral Sherman**: It is not a show of force. It is a routine operation to carry out the Presidential Directive. It is not a show of force any more than Ridgway's operation is a show of force.

**General Collins**: They are not going to invade Formosa from Hainan, are they?

**Mr. Nitze**: I think we have got to be straight with our allies on this one.

**Admiral Sherman**: We have no allies so far as the Formosa operation is concerned.

**Mr. Nitze**: If we get hit in Japan and Formosa, we want it to be clear that this is because of a Chinese Communist initiative and not an initiative of ours. If we are not clear on this we will not have any allies. The operation should not appear to be a show of force. It should appear to be a continuation of our previous operations.

**General Bradley**: Is there anything to be gained by going to Hainan?

**General Collins**: That is the question. The French think they can handle anything from Hainan. If we are doing anything to check up on a possible invasion of Formosa in accordance with the Presidential Directive, then we should go ahead with that.

**Admiral Sherman**: I will be glad to revise the directive. General MacArthur sent in a recommendation and we agreed with it, with some minor revisions.

**General Bradley**: I think it should be limited to shipping for an invasion of Formosa. I think it should be related to their positions on the China coast.

**General Collins**: Perhaps we can do something in terms of longitude for a change instead of parallels.

**Admiral Sherman**: I will bring in a proposal on it.[8] I would be worried if we permitted ourselves to be restricted regarding the Formosa operation.

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[8] Later in the meeting, Admiral Sherman circulated a draft telegram, which, with a slight revision of phraseology, was approved and sent to General MacArthur as JCS telegram 87549, April 4, 1951: "Operation contemplated by your C 58575 and approved by JCS 86789 [see p. 1608 and footnote 3 to C–58575, p. 1609] should be so limited as not to include Hong Kong or points southwest thereof" (CA Files: Lot 59 D 228).

Mr. Matthews: If it is just a resumption of previous operations now that the weather has changed, that is all right.[9]

[Here follows a discussion of several unrelated matters.]

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[9] A Seventh Fleet task force carried out the mission on April 11 and 13; see James A. Field, Jr., *History of United States Naval Operations: Korea* (Washington, Government Printing Office, 1962), p. 344. The Joint Chiefs of Staff later reported that the operation had been carried out without incident, except that some anti-aircraft fire from coastal batteries had been encountered (*Record of the Actions Taken by the Joint Chiefs of Staff*, p. 103). In the course of the operation, the Commander, Seventh Fleet, paid a visit to Generalissimo Chiang Kai-shek in Taipei; see Navy telegram 140300Z from Taipei, April 14, 1951, p. 1629. For related documentation, see the memoranda of conversation, April 5 and April 19, pp. 296 and 369.

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791.00/4-451 : Telegram

## *The Ambassador in India (Henderson) to the Secretary of State*

TOP SECRET New Delhi, April 4, 1951—noon.

2673. For Mathews SOA.

1. Recent developments including delay departure Mission[1] from Delhi renders less urgent by few days dispatch msg referred to my let to you March 29 which shld reach you next few days.

2. In view breathing spell I have suspended taking final action for delivery until I receive tel indicating Dept does not disapprove.[2] One copy of msg in safe of office appropriate Con Gen. Other copy with translation held here. Wld appreciate Dept's comment earliest possible moment. Earnestly hope msg of kind contemplated can go forward without delay.

Henderson

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[1] The reference is to the Tibetan Delegation en route to Peking.

[2] Telegram 1633 to New Delhi, April 6, 1951, for the Ambassador from Mathews, approved Henderson's proposed message (p. 1612) but requested the deletion of paragraph seven because, in a recent survey of other countries, the Department had found little support for United Nations action (791.00/4-451).

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894A.00-R/4-451 : Telegram

## *The Secretary of State to the Embassy in the Republic of China*

SECRET PRIORITY Washington, April 4, 1951—5 p. m.

1035. For Rankin and Moyer.

1. This para for info only. Interrelated problems of econ and mil assistance to Formosa have been subj discussions here. Irrespective actual impact cost figures, there are certain principles in connection

this problem which must be worked out between State, ECA and Defense Dept. Major issues now under consideration are:

(*a*) Extent to which Chi Govt can absorb impact costs and estab by them of effective controls necessary to prevent unbridled unjustified expenditures by Chi mil;

(*b*) Procedure of mtg from US sources ltd local currency and dol impact costs including POL for mil purposes. Tentative InterDept decision is that ECA shld absorb latter costs and for this purpose ECA/W will seek additional $8 million above proposed $65 million for FY 52. ECA/W will amplify in separate cable to Mission.

2. This para for action. Together with Chief ECA Mission you shld approach Chi Govt and officially set forth US Govt position re matter in point substantially as follows in both language and tenor:

During present session Cong, Exec Branch this Govt has under consideration requesting additional funds from Cong for econ and mil assistance in gen area China. To avoid any possible misunderstanding on part natl Govt, it is to be pointed out that it is planned that such funds, if requested of and approved by Cong, shall be appropriated for entire area and not firmly allocated or committed to needs any particular country in area.

In this connection US Govt desires invite attn Govt China to circumstance that absorption such mil aid cld produce impact on economy Formosa which might be inflationary and damaging that economy in event natl Govt fails take precautionary measures to reduce impact. Although US Govt has noted with gratification improvement during 1950 in econ position Formosa, such improvement deriving partly from ECA and partly from effects natl Govt in naturally rich econ environment, it is considered that if gains are to be retained and further advances achieved it is necessary that additional steps be taken promptly to expand exports, to control imports more rigorously, and (most important of all) through careful admin of natl budget to increase tax rates, improve tax collection methods, reduce non-essential governmental expenditures and increase substantially gen levels governmental revenue. US Govt proceeds on assumption that it is possible in visible future for US to reduce and eventually stop what now amts to econ subsidy to Formosa and natl Govt will appreciate impossibility of US Govt's underwriting indefinitely Formosan economy. US Govt, especially during period when US itself is engaged expansion its own mil estab at considerable cost to its own economy and its own people, wld not find itself in position to guarantee to offset effects of supply of mil matériel to Formosa for defense against aggression on standards of living in Formosa. US Govt considers that Formosa has substantial assets within its grasp and wld view with extreme disquiet any failure natl Govt to exploit those assets to best its ability in order achieve econ stability and security for Formosa. Standard by which US Govt gauges econ and/or mil assistance to any country is capacity of recipient country for making such use of aid, with maximum of self-help, as to offer prospect of durable results. US Govt believes that only when such recipient country undertakes econ and other sacrifices comparable in scale to those which provision of such aid imposes upon Amer people is contd assistance justified.

3. FYI Dept feels this step necessary in order to check Chi mil from carrying Formosa on headlong course to econ disaster and to correct any misconceptions now existing in minds Chi leaders and to place maximum responsibility on Chi at very inception any proposed new program. Dept will advise you soonest possible re further policy developments and procedures as established for handling dol and local currency impact costs which may be determined natl Govt unable absorb without causing severe disequilibrium in Formosan economy.

4. ECA concurs.

Acheson

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894A.00-R/4-751 : Telegram

## *The Chargé in the Republic of China (Rankin) to the Secretary of State*

SECRET Taipei, April 7, 1951—3 p. m.

1362. To State and ECA from Rankin and Moyer. Re Deptel 1035, Apr 4 and Ecato 319 Mar 31.[1] Gratifying note progress in finding means obtain addit funds ECA or other US sources to offset increased dollar and local currency requirements arising from MDAP. Fol comments inspired by certain points in reftel:

1. Proposed $65 million for ECA FY 1952 program almost certainly inadequate preserve econ stability even assuming optimum effort by Chi Govt, no further rise world commodity prices and full provision for econ impact MDAP outside regular econ program. $85 million more likely figure for requirements under such circumstances.

2. If Formosan econ had to support only police force and coast guard and contribute one Chi province's "normal" share to national defense, this probably wld require little or no outside econ aid today in maintaining modest balanced development. Presence on Formosa of armed forces totaling some 600,000 men is immed cause of present econ imbalance yet without these forces island wld today be in Commie hands. Present US aid programs both econ and mil, are in case of Formosa therefore almost entirely mil in broad sense.

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[1] See footnote 1, p. 1597.

3. Without knowing precise cost and nature mil equipment likely reach Formosa in any given fiscal year impossible estimate closely addit dollar and local currency expenditures required this connection. Rule of thumb wld be to add 30 percent to value of mil equipment provided assuming POL already covered. On this basis at least $20 million addit needed to complement FY 1951 MDAP. This shld be made available soonest in preparation for arrival mil equipment coming months, more particularly view serious inflationary sitn in prospect due other factors.

4. US Govt position set forth para 2 Deptel 1035 will be communicated to Chi Govt and precise text used will be telegraphed to Dept. Most of points raised already emphasized to them many times in past and will be repeated frequently in future. However, cannot expect them do impossible and fullest sense of responsibility can be inspired only by realistic and coordinated politico-econ-mil program worked out in advance. MDAP details already known in general terms to Chi Govt promise build up mil strength on Formosa to point beyond their expectation and employ indefinitely large amts supplemental aid to effectuate mil program. Moreover, inclusion in MDAP of considerable quantities offensive weapons such as tanks (presumably not needed to supplement capabilities of Seventh Fleet in defending Formosa) is further encouragement to any elements inclined toward financial irresponsibility or politico-mil recklessness.

5. "Escalator arrangements" for addit aid occasioned by MDAP shld not be *ad hoc* in character except rare cases. Both to facilitate planning by US and Chi Govt officials and to avoid impression among Chi that more funds can be had any time new need develops it considered essential make lump sum or percentage provision in advance.

6. Economic Stabilization Board appears to date to be curbing any tendencies toward unbridled mil expenditures and working seriously to minimize consolidated budget deficit and foreign exchange deficit. Given size of present mil establishment there are limits to what can be done in economizing no matter how serious their efforts. Mil aid in amts under discussion in Washington without far greater supporting econ aid than indicated Deptel 1035 imply uncontrolled inflation within next eight months. Such outlook wld contribute to attitude of hopelessness and destroy constructive ESB foundation already created.

7. Chi Govt shld not be expected abandon dream of return to mainland, without which it wld fall apart polit, yet any MDAP unavoidably fosters such dream. Moreover, perfecting purely defensive power of armed forces on island is at same time essential first step toward preparing them for possible offensive operations in future. Periodic lecturing of Chi on this subj far less effective than practical approach

of supplying only mil aid clearly needed for island's defense plus econ aid essential to preserve its stability.

8. Suggest any mil equipment allocated to Formosa on basis possible needs for future offensive operations in general conflicts shld be stockpiled on US controlled territory somewhere in FE. [Rankin and Moyer.]

RANKIN

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INR-NIE Files

## *National Intelligence Estimate*

SECRET
NIE-27

WASHINGTON, April 10, 1951.

### CHINESE COMMUNIST CAPABILITIES AND INTENTIONS WITH RESPECT TO TAIWAN [1]

#### THE PROBLEM

To estimate Chinese Communist capabilities and intentions with respect to securing control over Taiwan in 1951.

#### CONCLUSIONS

1. We believe that the Chinese Communists could not launch a large-scale attack on Taiwan without a major shift or troops from other parts of China into the coastal staging areas. We further believe that such a depolyment would adversely affect their commitments or operations in Korea and elsewhere.

2. In the absence of US participation in the defense of Taiwan, the Chinese Communists could, after the necessary redeployment, probably capture Taiwan by a large-scale invasion. We believe, however, that, if the US Fleet participates in the defense of the island, the Chinese Communists do not have the capability of launching a successful large-scale invasion on Taiwan without substantial Soviet assistance. The USSR would probably estimate that it would incur a substantial risk of war with the US if it furnished assistance of the type and scale that would be required to make the operation successful. We do not believe the USSR is likely to incur this degree of risk solely on account of the advantage to be gained from Chinese Communist conquest of Taiwan in 1951.

3. Although military and logistic difficulties severely limit immedi-

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[1] According to a note on the cover sheet, "The intelligence organizations of the Departments of State, the Army, the Navy, and the Joint Staff participated in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 5 April 1951, except as noted by the Director of Intelligence, USAF, on page 4."

ate Chinese Communist capabilities for a large-scale invasion, we estimate that the Chinese Communists currently have the capability for a limited assault on Taiwan. Such an assault might be launched in the expectation of making a landing before the US Fleet could intervene effectively and of exploiting whatever potential dissidence exists on the island.

4. Although there is insufficient intelligence available at this time to make a positive prediction, it is estimated that Communist China is not likely to attempt either a large-scale or limited attack on Taiwan during 1951 so long as US policy with regard to Taiwan remains unchanged and the Chinese Communists continue to be committed in the Korean war. The likelihood of a Communist invasion attempt would be greatly increased, however, under any of the following circumstances:

*a.* If the Chinese Communists should achieve a decisive victory in Korea before summer or should otherwise be able to disengage themselves from the Korean campaign;

*b.* If the tactical situation in Korea made the redeployment of the US Fleet units in Korean waters unlikely;

*c.* If the Chinese Communists were convinced that the Chinese Nationalist Government and its defense forces had become so weakened that they would disintegrate after an initial show of Chinese Communist strength;

*d.* If over-all Communist strategy required the conquest of Taiwan regardless of the risks involved.

5. The Chinese Communists, if they decided to make an assault on Taiwan, would be most likely to attack in the spring or summer, when weather and sea conditions are most favorable. (See Appendix A.)

6. We believe that the courses of action that Communist China is most likely to follow during 1951 are:

*a.* Maintain the threat to Taiwan.

*b.* Attempt to expand a network for subversive activity on Taiwan.

*c.* Emphasize in domestic propaganda that US support to the Nationalist Government constitutes aggression against China.

*d.* Stimulate international disagreement over the disposition of the area and international criticism of US support of the Chiang regime.

*e.* Exploit the Taiwan issue in connection with proposals for a peaceful settlement in Korea.

*f.* Perhaps exercise its capability for capturing the small Nationalist-held islands off the east China coast.

[Here follows the discussion section of the paper dealing with Communist and Nationalist Chinese military capabilities and with estimates of Sino-Soviet intentions. Appendix A, "Weather Conditions in the Taiwan Straits," and Appendix B, "Recent Chinese Propaganda Line on Taiwan," also follow; neither is printed.]

293.1122/4-1051

### *Memorandum of Conversation, by the Director of the Office of Chinese Affairs (Clubb)*

CONFIDENTIAL [WASHINGTON,] April 10, 1951.

Subject: Welfare of American Citizens in China

Participants: Mr. D. A. Greenhill, First Secretary, British Embassy
Mr. O. Edmund Clubb, CA

Mr. Greenhill called and gave me the essence of an exchange of communications between the Foreign Office and the Chargé d'Affaires at Peking.[1] The Foreign Office had indicated to the Chargé the possible desirability of now making representations regarding the welfare of various foreign nationals in China. The U.S. was concerned with the welfare of its citizens, and the UK, Canada and Australia were likewise concerned. It is proposed that there be made a general approach on behalf of the nationals of those four countries in view of the "increasing gravity" of the problem.

The British Chargé replied in favor of taking the matter up at this time, suggesting that representations be limited in the first instance to the arrests of nationals of the several countries, that questions of travel permits and visas might be taken up separately at another time. He remarked on the Chinese Communist side the "special motives of retaliation against United States interests" possibly deriving from U.S. policy. He proposed to take the whole matter up in an *aide-mémoire* along the general lines of the attached draft.[2] The Chargé agreed that the potential effect of such an *aide-mémoire* would probably not be helped by appeals to legal considerations and he therefore prepared to limit his argumentation in this regard. He believed that no harm could be wrought for persons at present under detention if the *aide-mémoire* were accurate and its terminology not violent. He believed that it would be appropriate to wait two or three weeks after presentation of the *aide-mémoire* to see whether there would be any developments, whereupon a statement might be issued.

Mr. Greenhill said, apparently reflecting his own thinking, that he saw no reason why one could not at time of presentation of the *aide-mémoire* make a brief statement to the general effect that representation to the Chinese Communist authorities had been made regarding the matter in point. I said that I myself tended to feel as I inferred Mr. Lamb (the British Chargé at Peking) also felt, that it would probably be better to make no statement at this time but to wait two or three weeks and then make the matter public.

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[1] Lionel Henry Lamb.

[2] Not printed.

I commented briefly on the draft presented by Mr. Greenhill, suggesting in regard to paragraph (*f*) a rewording to propose likewise that persons under detention have access to such legal counsel as they were entitled by Chinese law and to propose that hearings of their cases be held promptly and that the British Charge be informed of the particular legal charges made against those under detention.

Mr. Greenhill, in a subsequent telephone conversation, confirmed that the British authorities proposed to go forward with the matter.

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894A.00-R/4-751 : Telegram

*The Secretary of State to the Embassy in the Republic of China*

SECRET PRIORITY WASHINGTON, April 10, 1951—6 p. m.

1062. Urtel 1362 Apr 7 para 4. Although various points will previously have been brought to attention Chi Govt, pls present US Govt position essentially as set forth Deptel 1035[1] in entirety, adhering closely to substance and tone Dept ref tel, as basic policy statement addressed Chi Govt. As instructed Deptel 1049 Apr 6,[2] report any changes introduced into text (which changes however shld not be of substance or tone) in order enable Dept transmit precise wording Chi Emb here.

Because of importance matter in question, request representations be made Chi Govt earliest feasible.

ECA concurs.

ACHESON

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[1] Dated April 4, p. 1619.

[2] Not printed.

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CA Files : Lot 56 D 625 : Telegram

*The Naval Attaché at the Embassy in the Republic of China (Jarrett) to the Commander, Seventh Fleet (Martin)*

SECRET TAIPEI, April 11, 1951—2 p. m.

110600Z. At his request, I had interview with Generalissimo morning 11 April. Also present were Gen Chou Chih-Jou, Dr Wang Shih-chieh, Chief of Presidents Secretariat,[1] Shen Chang-huan Govt Spokesman. Plus 2 aides. Highlights of visit:

*a*. During discussion [garbled group] Tokyo Gimo inquired about latest prospects ChiNats getting POL for military over which question he is quite concerned.

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[1] Wang Shih-chieh was Secretary-General, Office of the President, Republic of China.

*b*. Gimo appeared genuinely perplexed over recent change command of 7th Fleet.[2] Seemed to feel such change either forerunner or follow up of change in US official policy toward Taiwan which might not be best interests of ChiNats.

*Comment:* Practically impossible for most Chinese to comprehend western democratic system of normal rotation and relief, especially of high ranking officers.

Characteristic of Chinese never relieve a winner.

*c*. Gimo inquired as to job Maj Gen Chase[3] will have on arrival Taiwan. Also inquired as to relationship of Chase to me as Senior Military Attaché and to Chinese military.

*Comment:* Though he did not so state, Gimo gave appearance of thinking Gen Chase might be coming here to assume position similar that of late Gen Stilwell[4] as Gimos Chief of Staff with demand and strong backing of highest level US Govt for Chase take actual control China's military.

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[2] Vice Adm. Harold M. Martin had replaced Vice Admiral Struble as Commander, Seventh Fleet, on March 28.

[3] Maj. Gen. William C. Chase had been appointed Chief of the newly-established Military Assistance Advisory Group, Formosa.

[4] Lt. Gen. Joseph W. Stilwell, Commanding General, U.S. Army Forces, China-Burma-India, and Chief of Staff to Generalissimo Chiang Kai-shek, Supreme Commander, China Theater, 1942–1944.

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894A.00–R/4–1151 : Telegram

## *The Chargé in the Republic of China (Rankin) to the Secretary of State*

CONFIDENTIAL TAIPEI, April 11, 1951—6 p. m.

1381. Fol text handed Chi Govt today:

The exec branch of the US Govt has under consideration requesting additional funds from the Amer Congress, during its present session, for econ and mil aid to the gen area of China. Such funds, if requested and approved by Congress, wld be appropriated for the entire area and not firmly allocated or committed to any particular country.

It has been brought out in detailed discussions between officials of the Chi Govt and of the US that the absorption of mil aid cld have an inflationary impact on the economy of Taiwan unless all possible precautionary methods are taken. The US Govt has noted with gratification the improvement in the econ position of Taiwan during 1950, such improvement having resulted partly from the efforts of the Chi Govt and partly from ECA assistance in a naturally rich environment. However, it is considered that if these gains are to be retained and further advances achieved, it will be necessary for the Chi Govt to exert still further efforts to expand exports, to control imports, to increase tax revenues by raising rates wherever possible and by improving tax collection methods, and to reduce non-essential govt expenditures.

The US Govt proceeds on the assumption that it will be possible, in the visible future, for the US to reduce and eventually discontinue econ subsidies to Taiwan. Undoubtedly the Chi Govt will appreciate the impossibility of the underwriting of Taiwan's economy by the Amer Govt for an indefinitely extended period of time. Especially while the US itself is engaged in a large expansion of its own mil establishment, at heavy cost to its own people, the US Govt is not in a position to guarantee to offset the effects on Taiwan living standards of the supply of Amer mil material for defense against aggression. The US Govt considers that Taiwan has substantial assets already available to it and would be deeply concerned over any evidence that the Chi Govt is not exploiting those assets consistently, to the best of its ability, in achieving econ stability and security for Taiwan.

The standard by which the US Govt determines econ and/or mil aid to any country is the capacity of each recipient to make effective use of such aid, with a maximum of self-help, in producing durable results. Moreover, the US Govt holds that continued assistance to any country can be justified only as long as it undertakes econ and other sacrifices proportionate to the Amer aid extended.

RANKIN

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794A.00/4-1351

*Memorandum of Conversation, by the Deputy Director of the Office of Chinese Affairs (Perkins)*

SECRET [WASHINGTON,] April 13, 1951.

Subject: Interview with Dr. Han Li-wu [1]

Participants: Dr. Han Li-wu
Mr. Rusk, FE
Mr. Perkins, CA

Dr. Han Li-wu called by appointment today on Mr. Rusk and, in response to the latter's questions, said: the attitude of the Formosan populace toward the national governmental establishment, particularly the military, had ameliorated considerably. For example, the military forces expect to evacuate this spring the last of the school buildings they have occupied. Local elections should be completed this year and they have been well conducted, with the exception of Taipei city where election conditions had been bad. The food situation on Formosa was good. Formosan rice production was expected to go up to nearly 1,500,000 tons this year, which would represent the best crop since 1939. Dr. Han said that, although there were continuing complaints from the natives, he himself had investigated and found that the general well-being of the local population was as good as it had been in 1944–45.

Mr. Rusk asked about the situation of the "third force" and the revitalization of the National Government: how could the many political fragments be formed into an entity? Dr. Han said that this was indeed a difficult question but indicated his belief that Chiang Kai-shek was the only person who was solid enough to form a nucleus for the anti-Communist force. He mentioned the possibility of younger men coming into the force, but it was not clear from his remarks how the amalgam could be constituted. He said that mass executions on the mainland had been planned as long ago as last June but were not carried out because of Communist uncertainty about their effect at that time. The Korean war had made this policy opportune; Dr. Han said that the executions would undoubtedly hamper guerrilla operations.

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[1] Han Lih-wu, Adviser to the President, Republic of China, was visiting the United States as a personal representative of Generalissimo Chiang Kai-shek; en route to the United States he had spent some time in London.

Dr. Han spoke of the widespread Russian influence on the Communist regime, which was exercised through the international element in the Party and through the use of commissars.

Mr. Rusk asked Dr. Han if he had any questions himself to put. Dr. Han said that he wished to mention:

1. British attitudes. He said that his visit to England had led him to believe that the British attitude in regard to Communist China might be subject to change. He said that the Lord Chancellor[2] had told him that, if difficulties with the Communists continued, the British Government might have to recast its policy toward the Peiping regime.
2. Dr. Han said he wished to speak of the need for aid to Formosa in the future.

Dr. Han did not elaborate on these points as Mr. Rusk had a meeting with the Ambassadors. Mr. Rusk said that he wished, however, to see Dr. Han again before his departure from the U.S.

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[2] Viscount William Allen Jowitt.

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CA Files: Lot 56 D 676

*The Naval Attaché at the Embassy in the Republic of China (Jarrett) to the Commander in Chief, Far East (Ridgway)*[1]

SECRET TAIPEI, 14 April 1951—11 a. m.

140300Z. US milit eyes only. Visit of Vice Admiral Martin to Taipei 13 April[2] considered timely. General opinion it reassuring to ChiNats who feeling extremely low over dismissal General MacArthur. During call with Adm Martin, Generalissimo questioned American

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[1] On April 11, President Truman had removed General MacArthur from his various commands, including that of Commander in Chief, Far East, and had named Lt. Gen. Matthew B. Ridgway to replace him; for related information, see editorial note, p. 298.

[2] See footnote 9, p. 1619.

Minister regarding General Chase. I believe Gimo, who is sensitive as ever regarding sovereignty, feels that subject of advisory group should have been discussed with him prior to ordering.

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320.2/4-1451

*Memorandum of Conversation, by the Congressional Liaison Officer for the House of Representatives in the Department of State (Moreland)*[1]

CONFIDENTIAL [WASHINGTON,] April 14, 1951.

Subject: Negotiation of a Cease-Fire.

Participants: Congressman John W. McCormack (D, Mass.) House Majority Leader
Mr. Allen B. Moreland, Congressional Liaison Officer

Mr. McCormack stated that he had just had a talk with Joe Martin[2] and he was convinced that the Republicans were banking on a deal between the U.N. and China which would permit China to cease firing in return for, in addition to retention of North Korea, (1) recognition by the U.S. of Red China, (2) a seat in the U.N. for Red China, and (3) the return of Formosa to China (Red China). I told Mr. McCormack that I had no specific information at all on this subject, and that I would have to speak entirely in a personal capacity. I stated that it was my opinion that such a move was completely out of the question.

I then asked Mr. McCormack if I could ask him some questions strictly in a personal capacity. He replied that he would be delighted to try to answer any questions I might ask. I asked him how he would feel if the U.N. was able to negotiate a cease-fire on the condition that the U.S. would recognize the Red regime. His response was that it would be a calamity. He stated further that he would rather see us pull out of Korea than to be guilty of such an act of "appeasement." He stated that if the U.S. were to recognize the Red regime it would be a matter of a short time before the U.N. voted a seat for this regime, and it would really be only a short time subsequent to that before Formosa would be returned to China. He said that such a move would completely destroy all of the Democratic support for the Administration. He stated that he felt that the Democratic support was now more solidly behind the Administration in its policy for the Far East than it had ever been before. Such an act of "appeasement" would be so repugnant to him personally that he would feel tempted to resign from public office.

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[1] The source text was seen by Rusk and Merchant.

[2] Representative Joseph W. Martin of Massachusetts, House Minority Leader.

I then asked Mr. McCormack to place himself in the shoes of the Red Chinese authorities for a moment. I then asked what would be his view to negotiating a cease-fire in the absence of a total victory over his forces. Would he negotiate without some concession on the part of his adversaries, and if not, what concessions would he feel that the U.N. could make which would make it attractive for the Reds to cease fire in the absence of a total military victory. His response got back to the original premise that any recognition of the Red regime would be "appeasement", and these other dire consequences would flow from this act.

I know Mr. McCormack well enough to know that he thoroughly understood that I was speaking to him in a personal capacity. I am reporting this only to reflect the depth of feeling that he has on this issue.

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794A.5/3-2351

## *The Under Secretary of State (Webb) to the Director of the Bureau of the Budget (Lawton)*

TOP SECRET WASHINGTON, April 17, 1951.

MY DEAR MR. LAWTON: I present herewith answers to the various questions contained in your letter of March 23, 1951. The replies bear the same numbering as the questions contained in your letter, and they have been prepared in collaboration with the Department of Defense and the Economic Cooperation Administration in so far as the questions touched on subjects affecting their interest.

1. *Question:* "What are immediate U.S. objectives with respect to Formosa?"

*Answer:* The immediate and overriding United States objective with respect to Formosa is to deny its control to hostile hands. Prior to June 27, 1950, this objective was sought by political and economic means. On June 27 the President ordered the U.S. 7th Fleet to prevent any attack on Formosa and called upon the Chinese National Government to cease all air and sea operations against the mainland. Directly from this decision flows the necessity of bringing the defensive capability of the forces on Formosa to a state such that they could, in conjunction with the 7th Fleet, repel any assault from the mainland. This decision further imposes a necessity of continuing and expanding the U.S. program of economic assistance not only to assist in maintaining political stability but also to help Formosa develop an economy capable of supporting these modernized forces through rehabilitation and modest expansion of key industrial, transport, communications, and power facilities.

2. *Question:* "In light of recent and prospective political and military developments, can we continue to assume that accomplishment of these objectives is consistent with efforts to achieve a settlement in Korea?"

*Answer:* The Department of State believes that it can and should be assumed that the accomplishment of our objectives with respect to Formosa are consistent with efforts to achieve a settlement in Korea. Our action in Korea has been in response to our obligations under the United Nations Charter to resist and discourage aggression. The United States Government has, however, no intention of modifying its objectives with regard to Formosa in return for a settlement in Korea. If Formosa fell, a military settlement in Korea could be impeded because the hazard to our operations would be increased by the presence of unfriendly forces in this advanced position.

3. *Question:* "To what extent would a settlement in Korea be likely to affect the amount, form, and timing of U.S. aid to the Chinese Nationalist Government?"

*Answer:* It is difficult to forecast what effect a settlement in Korea would have on the amount, form, and timing of United States aid to the Chinese National Government. At one extreme, a settlement in Korea accompanied by what the President described as "the restoration of security in the Pacific", might well reduce the need for United States economic and military assistance to Formosa. At the other extreme, a settlement in Korea imposed upon the United Nations by superior force, might indeed require an increase in United States assistance to Formosa. I believe the safest assumption is that the United States Government should proceed with its present programs and plans for assistance to Formosa without regard to the hypothetical effect that an unpredictable settlement in Korea would produce.

4. *Question:* "In what respect is the future of Formosa involved in the proposed pending treaty of peace with Japan?"

*Answer:* The present tentative draft peace treaty with Japan,[1] prepared by this Government does not seek to determine the disposition of Formosa and merely formalizes Japanese relinquishment of sovereignty over Formosa and the Pescadores. There is no policy or requirement which necessitates the resolution of the problem through the medium of a peace treaty with Japan. You will recall that the President stated on June 27, 1950 that "The determination of the future status of Formosa must await the restoration of security in the Pacific, a peace settlement with Japan, or consideration by the United Nations".

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[1] For text of the U.S. draft treaty of March 23, 1951, see vol. VI, Part 1, p. 944.

5. *Question:* "What is the long-term U.S. objective in Formosa?"

*Answer:* The long-term United States objective with respect to Formosa can be stated as the achievement of a solution of the problem by international agreement and not by force, and the avoidance of Formosa's falling into hands which would exploit its strategic location and facilities to the detriment of our national security interests. The President has stated that we have no territorial ambitions for ourselves with respect to Formosa and that the present policy of "neutralization" is without prejudice to political questions affecting the Island.[2] The long-term economic objective of the United States with respect to Formosa is to contribute to a situation of economic self-support, thereby removing the need for grant aid.

*a. Question:* "How are political and economic interests in the area balanced against military objectives in arriving at this policy?"

*Answer:* The political and economic interests of the United States, as well as military objectives, are taken into account in the determination of this policy. At the present time it can be considered that the strategic or military interest in denying Formosa to hostile hands constitutes the overriding element in present policy.

*b. Question:* "Is it anticipated that U.S. objectives can be achieved through United Nations action?"

*Answer:* Under conditions whereby our own security interests were protected, it is the hope and expectation of this Government that the peaceful disposition of Formosa's political status can be achieved by international agreement, either United Nations action or with its approval.

6. *Question:* "How are present and projected U.S. programs related to these objectives given in (1) and (5) above?"

*Answer:* Present and projected United States programs are directly related to the objectives defined in the answers to questions (1) and (5). These programs are designed to support the attainment of these objectives.

*a. Question:* "Is the mission of the armed forces purely defensive?"

*Answer:* According to policy expressed in the President's statement of 27 June 1950, the mission of the Chinese Nationalist Armed Forces is purely defensive.

*b. Question:* "How large a military establishment is required?"

*Answer:* It has been determined by the Military Survey Mission that in order to successfully defend Formosa, assuming support by the

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[2] President Truman made these statements in a special message to Congress on July 19, 1950, and restated them in a letter to Ambassador Warren R. Austin on August 27, 1950; for the texts, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1950* (Washington, Government Printing Office, 1965), pp. 527–537 and 599–600.

7th Fleet, there should be a ground force the equivalent of 31 divisions, plus headquarters organizations for 10 Army headquarters, 5 area defense headquarters, headquarters Taiwan Defense Command, and the Ministry of National Defense; an Air Force of 4 fighter groups and one light bombardment squadron; and a Navy of approximately 60 vessels. Without support of the 7th Fleet, the Ground and Air Force requirements remain the same but the Navy requirement would be considerably greater, and the Chinese Navy is unable to absorb the total number of ships required. It is believed that the Chinese Navy at the present time can absorb about 12 additional ships and about 12 in the following year. About 4 Destroyer Escorts and 20 Sub-Chasers, or Motor Gunboats, is considered to be a realistic number. Even with these additional vessels it is not considered that their fleet would be capable of repelling a large invasion armada. None of these vessels have been programmed because of limitations of funds, assumption of continued 7th Fleet support, and the feeling that before such a program is undertaken, United States technicians and advisors should be sent to Formosa to develop training methods, operational procedures and shipboard maintenance.

*c. Question:* "What are its matériel deficiencies?"

*Answer:* The matériel deficiencies which exist were determined by the Fox Survey and are contained in the Fox Report. These deficiencies exist in the following major categories:

*Army*—electronics and signal equipment; ordnance equipment and supplies, including tanks and transport vehicles; engineering equipment and supplies; quartermaster equipment and supplies, and publications.

*Navy*—vessel equipment and supplies; ordnance equipment and supplies; engineering equipment and supplies.

*Air Force*—aircraft; spare parts; aeronautical equipment and supplies; electronics and signal equipment; ordnance equipment and supplies; engineering equipment and supplies.

The detailed items making up these major categories of existing deficiencies are contained in the Form DD 318s for Formosa, which have been previously submitted to the Bureau of the Budget.

*d. Question:* "What are its training and morale deficiencies?"

*Answer: Training Deficiency—Ground Forces.*—Training methods in the Ground Forces are based on methods used in United States military schools. Training observed was conducted and accepted with enthusiasm. It is believed that the training methods are generally sound, although qualified instructors are largely unavailable except in the schools. Training has been hampered by lack of funds, equipment, transportation, ammunition, and maneuver areas; unit, field and combined training has likewise been inadequate. These deficiencies have been recognized by the Commanding General, Ground Forces, and with proper military aid the deficiencies should eventually be corrected.

*Morale Deficiency—Ground Forces.*—Morale of the troops during the visit of the Survey Team was good. It is considered that morale is high at the present time and is bolstered up by receipt of current U.S. economic and military aid, hope of future military aid, encouraging news from Korea, and growing fear of Communism.

*Training Deficiency—Air Force.*—The state of training of air crews is poor by comparison with USAF units of similar type. There are two primary reasons for this condition: First, air crews have had very little air-to-air combat experience since few of them have ever fought against a first-rate air power; second, the Chinese Nationalist Air Force has always been handicapped by a shortage of aircraft and supplies with the result that it has been unable to carry on a continual air crew training program. At the present time air crews receive virtually no training over and above that gained in performance of essential defense patrols and reconnaissance missions. Maintenance personnel are considered about 60% qualified as compared to USAF standards. Of the total maintenance personnel assigned to the Chinese Nationalist Air Force, approximately 524 officers and 247 enlisted men have been trained in the United States, while 2,296 officers and 10,531 enlisted men have received some training in the Chinese Air Force Technical Schools. Many of the above enlisted personnel are qualified to perform only the most elementary maintenance duties. The picture is somewhat brighter in the more technical maintenance fields such as machinists, metalsmiths, dope and fabric, and wood workers, due to the fact that there is a considerable pool of these technicians available to the 4th and 5th echelon maintenance depots.

*Morale Deficiency—Air Force.*—Same as Morale Deficiency, Ground Forces (above).

*Training Deficiency—Navy.*—In personnel, the officer corps of the Chinese Navy is lacking in sea experience and the senior officers generally do not have the professional qualifications or background for top-level planning and administrative duties. Enlisted personnel suffer from inadequate training. Levels of training are unsatisfactory and training methods are either non-existent or are worked out on paper but not carried out in practice.

*Morale Deficiency—Navy.*—In comparison with the average Oriental, the sailor's life is orderly and his food, although simple, is regular; pay is inadequate but sufficient to meet ordinary needs. The morale among enlisted personnel is good, although low by U.S. standards.

Officers and enlisted morale are considered subject to the same comments as those made with respect to the Air Force and Ground Force.

*e. Question:* "What degree of U.S. supervision of the Nationalist forces will be required to make military assistance effective?"

*Answer:* It is considered that U.S. supervision will have to be exercised to a considerable degree to make military assistance effective. To this end a Military Assistance Advisory Group is being established in the near future and an initial increment of approximately 46 officers and 68 enlisted men will be ordered to Formosa. It is impossible at this time to determine the ultimate size of the Military Assistance Advisory Group. It can only be determined after the interim organization has been operating for a period of time and submits recommendations for increased complement; however, it is presently estimated that the initial increment will be increased by the addition of between 400 and 500 personnel.

*f. Question:* "What priority in relation to other mutual assistance programs will be accorded to deliveries of military equipment to Formosa in fiscal year 1951 and fiscal year 1952?"

*Answer:* Deliveries of military equipment to Formosa in fiscal year 1951 and fiscal year 1952 will be accorded a priority, in relation to other Mutual Defense Assistance programs, immediately following Indochina and equal with NATO countries. In this connection, it is pointed out that Indochina has been assigned the highest shipment priority of all Mutual Defense Assistance programs.

*g. Question:* "What provision will be required to absorb the additional impact of an expanded military end-item program on the economy of Formosa?"

*Answer:* The provision currently requested of the Bureau of the Budget, on the basis of an interdepartmental decision, is $8 million additional funds for the fiscal year 1952 Economic Cooperation Administration program for the importation of supplies required to make the projected military assistance items effective. The Department of Defense has provided the Bureau of the Budget with additional information as to the basis for this $8 million figure.

The ECA Mission on Formosa, together with the Embassy and Attaché group, is in the process of refining impact cost figures on the basis of more detailed information as to the composition of the military assistance program, and its estimates will be submitted to the Bureau of the Budget when received. Indications are that new estimates of impact costs, in terms of both dollars and local currency, may be higher than those already submitted to the Bureau.

*h. Question:* "What level of general economic aid is required to achieve our objectives?"

*Answer:* The Economic Cooperation Administration is requesting

$65 million for fiscal year 1952, aside from funds to absorb the military assistance impact. Between one-fourth and one-third of this amount is for rehabilitation and expansion of industrial, power and transportation facilities, with most of the remainder for consumer goods and industrial raw materials. It is expected that after two or three years of aid at this level, economic assistance can be tapered off, as rehabilitation and expansion of industrial, power and transportation facilities begin to pay off in terms of increased local production and exports and reduced imports of certain items, particularly fertilizer, until eventually economic aid can be confined to technical assistance projects. This direct relation of the power and transport projects to the military aid program is of course obvious.

*i. Question:* "Are projects for long-term economic development essential to attainment of presently known U.S. objectives?"

*Answer:* Projects for long-term economic development, as actually visualized in proposed Economic Cooperation Administration programs, include largely the repair and replacement of worn-out equipment, as well as some expansion in power and added equipment in certain industrial plants. These projects are definitely essential to the attainment of United States economic objectives as defined in (1) and (5) above. Without them, it will be impossible for Formosa ever to attain a self-supporting status. Moreover, the railway and highway reconditioning which is being undertaken is essential for military movements.

You may be sure that the Department will continue its efforts to expedite action by the National Security Council on the draft now before the Senior Staff on general policy in Asia.

Sincerely yours, [JAMES E. WEBB][3]

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[3] The source text is unsigned, but a typed copy indicates that the signature was Webb's (S/ISA Files: Lot 52-51).

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793.00/4-1951 : Telegram

### *The Chargé in the Republic of China (Rankin) to the Secretary of State*

SECRET TAIPEI, April 19, 1951—3 p. m.

1455. Depcirtel 627, Apr 13.[1] Persons coming out of Commie Chi as well as Chi Nat officials agree that popular dissatisfaction with policies and actions of Mao regime has grown in recent months and that principal factors in this discontent have been heavy casualties in Korea, atrocities of current mass purge, govt police-state oppression and terror, excessive taxation and business stagnation. Farmers, businessmen and professional people seem most disillusioned, while students, teachers, govt workers and Commie party members appear relatively sanguine.

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[1] Circular telegram 627, April 13, 1951, not printed, was sent to Taipei, Manila, Bangkok, Hong Kong, and Singapore; it requested information concerning the attitudes of principal groups in China toward the Communist regime, the United States, the United Kingdom, the Soviet Union, and the Chinese Nationalists. Information and comments were particularly requested from Hong Kong and Taipei (793.00/4-1351). A similar telegram was sent to Pusan; see telegram 887 from Pusan, April 21, p. 374.

Despite credible accts of divergent views within Commie hierarchy on such questions as degree of coop with USSR and intervention in Korea, and of feelings of insecurity and futility among democ personages and other collaborators, no present or imminent split in Peiping regime is indicated, nor has there arisen any active resistance to it by the Chi masses. While food problem continues, prices of necessities have been comparatively stable and shortages of industrial materials, petrol products, western medicines and similar items have little affected the average Chi. Increasingly stringent control by a centralized govt, whose members reportedly are in gen honest disciplined and hard working, remembrance of difficult conditions under previous rulers and evident ruthlessness of present regime toward any opposition, effectively dampen any incipient insurrectionary spirit among the populace. Guerrilla activities, altho decidedly troublesome to Commies, are reported so little coordinated and so lacking in unifying leadership or polit program as not to constitute any apparently serious threat to the disciplined mil power and mass org techniques of Communism.

Bitter official anti Amer campaign of Commies during past months reputedly ineffective among gen population of mainland. Charges that US responsible for denying Formosa UN seat to "China" and that Amer is plotting with Chi Nats to invade and bomb mainland have been stressed. Commie propaganda also tends to dismiss Nats as Amer-manipulated and exploited puppets. Brit participation in UN opns in Korea, her anti-Commie warfare in Malaya and her somewhat contradictory FE policy have heightened Commie hostility towards UK. Although there seems little friendly assoc between Chi Commies and their Russian advisers and technicians, and although presence of considerable numbers of latter are in Chi arouses some popular resentment, official friendship and coop with USSR are necessarily maintained view Chi Commie leaning-to-one-side policy and gen bad relations with nearly all other nations. Scattered reports avail do not reveal any significant potential disaffection among troops and officers of the Commie armed forces. Observers frequently state that soldiers are relatively well fed and clothed, thoroughly indoctrinated and under strict discipline. It is said, however, that recently morale of Chinese troops in Korea has declined as their matériel deficiencies vis-à-vis UNO forces became more impressive, UNO airpower and field tactics became better adapted to Korean fighting conditions and Chi casualties overtaxed medical facilities.

*Comment:* Because of lack of direct info and fragmentary unevaluated nature of data avail in Formosa, Emb can only make speculative generalizations. It appears, however, that rising disgust of Chi people at brutalities and incapacities of their present rulers will not in near future provoke any popular uprising capable of overthrowing Mao regime, nor that internecine disputes will soon destroy Commie rule. Long inured to suffering, Chi people shld not be expected to do other than submit to present tyranny as have all other peoples once they came under heel of a Red Army. Not until alternative presents itself with sufficient outside backing to give reasonable promise of success can active support of Chi people against Commies be looked for. A Chi Tito is not impossible but likelihood of one materializing without substantial outside support is too remote to provide basis for US policy.

Rankin

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## *Editorial Note*

On April 19, General MacArthur, who had recently returned to the United States, presented his views on the Korean war and United States Far Eastern policy, particularly with regard to China and Formosa, before a joint session of Congress. He declared that the fall of Formosa would endanger the entire United States line of defense in the Pacific and urged that "under no circumstances" should it be permitted to fall under Communist control. While indicating that it would be irrational to consider sending ground forces into continental China, he advocated a drastic revision of United States strategy in order to defeat "this new enemy" on the China mainland. In particular, he called for removal of restrictions on bombing north of the Yalu, intensification of the economic blockade of China, imposition of a naval blockade along the China coast, removal of restrictions on the Chinese Nationalist forces together with United States logistical support for their use against the mainland. For the text of the address, see the *Congressional Record*, volume 97, part 3, pages 4123–4125.

793.5 MAP/4–2051 : Telegram

## *The Chargé in the Republic of China (Rankin) to the Secretary of State*

SECRET TAIPEI, April 20, 1951—11 a. m.

1458. Profoundly hope joint tel (1453) Apr 19[1] from Moyer, Jarrett and myself will provide sufficient background to answer basic questions raised by Bureau Budget and avoid further delay in obtaining approval of $21 million FY 1951 MDAP funds for Chi Navy and Air Force.[2] This is short-range question of gravest urgency and shld be approved at once to assist Seventh Fleet's immed mission whether or not mil aid to be allocated for FY 1952. Weather will be favorable for invasion of Formosa beginning next month and Chi Commies have airfields and other facilities prepared on mainland opposite to which they cld shift forces for invasion and/or large-scale air attacks in short time. Mil aid foreseen in above $21 million, notably surplus World War II fighter planes, cld spell difference between success and failure of invasion; also availability this equipment on Formosa might well be deciding factor in deterring Chi Commies from an attempt against island which almost inevitably wld involve US in open conflict with Commie Chi.

If not already done recommend Dept bring foregoing to attention Bureau Budget and any others who may be delaying action for whatever reason. They shld be made fully aware of responsibility assumed by occasioning such delay. That is the short-term problem.

Amt of $237 million MDAP FY 1952 funds recommended for Formosa by Defense Dept admittedly raised misgivings among most of us from longer-range standpoint. Without going into tech mil details this figure seems disproportionately large in relation to resources of Formosa and to global US responsibilities. Full implications apparent when it realized such quantity mil equipment spares and ammo wld bring total US financial outlay for Formosa between now and end FY 1952 to approx $500 million under all headings. Such figures liable frighten not only Bureau Budget but also Congress and public with resultant strengthening hands of isolationists.

Dept able judge most effective tactics to pursue with Bureau Budget, etc. but it may be useful in preparing alternative proposals to consider fol approach:

1. As matter of utmost urgency approx $50 million shld be made

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[1] The reference telegram, a joint message for State, Defense, and ECA, not printed, recommended a total expenditure of $92,235,000, in addition to the military aid expenditures for fiscal years 1951 and 1952, to reduce the inflationary impact of the U.S. military aid program in Taiwan (793.5 MAP/4–1951).

[2] President Truman informed Secretary Acheson in a letter dated May 4, 1951, of his approval of the $21 million allocation (790.5 MAP/5–451).

available (in addition to present ECA allocations and MDAP funds already approved for Chi Army) for remainder FY 1951 to cover $21 million MDAP for Chi Navy and Air Force plus $29 million for POL and to "compensate for econ impact". Without such compensation mil equipment cannot be effectively utilized and Formosan econ wld be disorganized.

2. After providing for above consideration cld be given to more modest FY 1952 total for purely mil aid. Even $100 million (instead of $237) under this heading wld provide slightly more purely mil equipment, etc. than foreseen in Fox report (assuming $71 million already provided for FY 1951) which added to $150 million for regular ECA and the econ impact", wld make total US contribution $250 million for FY 1952 compared approx $400 million if present MDAP figures are retained and resulting mil equipment effectively employed.

3. About half of FY 1952 "impact" aid wld be for non-recurring items and it shld be possible also reduce regular ECA aid after that year; $100 million plus purely mil items (totaling perhaps $50 million) shld take care of FY 1953. A further reduction shld be in order for FY 1954, assuming aid program still continuing, to perhaps $100 million altogether.

Presumably above reductions wld be less than satisfactory to Defense Dept, but I am sure they are aware of urgent need to do something at once to improve island's defenses and that events are moving so rapidly in FE as to make any longer term mil planning for Formosa highly speculative to say least. All MDAP estimates for Formosa evidently must remain under constant review which shld be expected result in important modifications depending developments in FE. It might well be calamitous if insistance on allocations of funds in excess of demonstrable defense needs to supplement capabilities of Seventh Fleet shld cause further delays and possibly result in loss of island or worse.

Moyer and Jarrett concur.

RANKIN

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793.00/4-2051

*Memorandum of Conversation, by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*

CONFIDENTIAL [WASHINGTON,] April 20, 1951.

Participants: Dr. Han Lih Wu
Mr. Livingston T. Merchant, Deputy Assistant Secretary for Far Eastern Affairs

Dr. Han returned to see me by appointment today. He hopes to return to Washington in a week or ten days in order to see Mr. Rusk, who he told me had said to him at their last brief meeting that he wished to discuss the "third force". Dr. Han then launched into a discussion of the "third force", arguing that the individuals considered to comprise it lacked arms, money and political power. Dr. Han went on to say that the Generalissimo must be the rallying point for resistance to Communism in China.

Making the point that I was speaking frankly and informally, I told Dr. Han I agreed a resistance force to be effective must have, among other things, material power and if possible the mantle of legality. Nevertheless I said I had seen with my own eyes in China the extent to which patriotic anti-Communist Chinese had been alienated from the Generalissimo by the actions of his government I said that what seemed to me to be required was a widening of the base of the appeal of the National Government and the development of a liberal program which would attract to it increased support. I said that it fell upon him and other younger leaders like himself to insure that the Generalissimo and the little group around him realized that as now constituted they could not be a standard to which all anti-Communists would flock.

I went on to say that I also thought it was important that there should be no misapprehension as to the meaning of General MacArthur's relief or the political debate in which this country was now engaged. I said that the President had stated that no change in this Government's policy was involved or contemplated and that this certainly comprehended our policy with respect to Formosa.

I went on to say that I thought it was also important that there should be no delusion on Formosa as to either our ability or willingness to underwrite their deficits. I said that if Congress approved the projected plans there would be next year a program of military assistance to Formosa to increase their capacity for self defense. I said, however, that this program would bring in its wake economic burdens and that while we would continue economic assistance through ECA, the problem of adjustments of a more stringent administration of their tax laws, of an improvement in their exports, and other measures involving an austerity scale of expenditures would have to be undertaken by the Chinese Government.

Finally, I referred to newspaper reports in this country that records of their secret police allegedly reporting all movements and actions of U.S. Government officials in China in recent years had apparently been turned over or made available to individuals or groups in this country. I said that deep and friendly as my own feelings toward China were, I thought he would understand me when I said that such actions to me were revolting and not designed to improve our relations. Dr. Han expressed ignorance and amazement, and indignation at the latter point.

Before leaving he recapitulated the other points which I had made and reassured me that he regarded this as a "private" conversation.

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793.00/4-2051 : Telegram

### *The Consul General at Hong Kong (McConaughy) to the Secretary of State*

SECRET PRIORITY HONG KONG, April 20, 1951—6 p. m.

3098. Re Depcirtel 627, April 11 [*13*].[1] ConGen sources for info requested primarily Amer missionaries other fon observers and anti Commie Chi. Great majority these persons strongly anti-Commie and have relatively little contact with groups most likely to be favorably inclined toward Commie regime. ConGen has little direct contact with pro-Commie sentiment except thru official Commie press. In fol analysis attempt is made to compensate for bias of sources to arrive at as accurate judgment as possible.

1. *Party members.*

Rigid discipline makes attitude most difficult ascertain as those differing from official view wld not reveal sentiments to outsiders. However, if recent ConGen contact (ConGendesp 1529 April 11)[2] alleged confident [*dissident?*] Chi Commie can be believed there is substantial group educated middle rank members, at least in east Chi region opposed to party leadership particularly pro-Sov fon policy and lack personal freedom. They are contemptuous of Nats, but willing to work with them and US. Party rank and file of peasants with no pre-Commie knowledge of outside world believed strongly indoctrinated and fanatical. Their loyalty assured by grants of power and special privileges. There are no signs disaffection this group, altho there are indications factionalism, strife, based on factors such as regionalism and length service in party.

2. *Democratic personages and collaborators.*

Favorably inclined toward common achievements in admin, finance, public health, transportation, etc. Consider Commies far superior to

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[1] See footnote 1, p. 1637.

[2] The reference despatch concerned an alleged defector from the Chinese Communist Party who claimed to belong to a dissident group of party members called the Democratic Revolutionary League of the Chinese Communist Party, organized in Shanghai in August 1950 (793.001/4-1151). Telegrams 2683-2686 from Hong Kong, March 20, 1951, had reported the individual's approach to the Consulate General and had reported information which he had allegedly received from fellow members of his organization concerning Sino-Soviet strategy in the Far East (793.00/3-2051).

Nats in ability run country for benefit of people. Since Korean war appears to be growing split between pro-US and pro-Sov factions this group and signs that disillusionment growing over extent Sov influence, lack personal freedom and rapidly increasing police terror. Practically no pro-Nat sentiment this group.

3. *Non-Commie govt workers business and professional groups.*

Approve stability of currency, efficiency, and lack of squeeze among Commies, but strongly dislike lower standard of living, Iron Curtain and decreased personal freedom. Large proportion this group not necessarily pro-Commie in beginning, and most of rest now disillusioned. They increasingly gripped by fear as result Red terror which has invaded cities past 2 months. They tend to be anti-Russian and pro-Amer and recently are even more so, as USSR identified with regime which causes their difficulties and regarded as responsible for entry Chi in Korean war. Many hoping for US victory in Korean war as only escape from intolerable sitn. Altho KMT remembered with bitterness by many, especially in Shanghai and Szechuan, and a few hold Chiang Kai-shek responsible for their present plight, there is some increasing inclination welcome Nats back as lesser two evils.

4. *Teachers and students.*

Originally most enthusiastic pro-Commie group especially students. Disillusionment set in early among teachers and univ students due to low educational level average Commie, their stubborn insistence on doctrinaire views and growing restrictions on freedom of thought and speech. They, nevertheless, impressed by industry, honesty Commie officials and highly susceptible to nationalistic appeal Commie regime. For a time patriotic fervor engendered by Chi intervention in Korea increased support for regime in univs, but current reign of terror touching many teachers and students offsetting prev trend. Middle school students and younger college students thoroughly under Commie spell and Commie control of youth likely grow stronger longer they remain in power. Nats have no appeal to this category.

5. *Urban labor.*

Sources for this grp inadequate. Commies have given much attn to factory workers and there are indications their living conditions some what improved Nat govt days. However, this minority grp among urban workers and class as a whole adversely affected by unemployment, forced contributions, etc. Believe majority attitude anti-Peiping and therefore tends to be anti-Russian, pro-US and pro-Chi Nat.

6. *Peasants.*

Sources inadequate since most ConGen informants principal contact with landlords rather than poor peasants farm laborer group.

Current land reform believed engendering more opposition than support because followed by excessive taxes, disruption rural econ system, interference with peasant custom and conscription. Those receiving land more often than not worse off than before and cost of Korean war tends to compel increase rather than decrease of tax pressure. Peasants not easily stirred by international issues, but believe wld tend to favor us because of official anti-Americanism. Evidence enthusiasm for Chi Nats lacking, but majority wld doubtless prefer their return to present sitn.

7. *Christian groups.*

Increasingly blatant anti-Christian policy of regime has aroused strong antagonism. A few opportunists and misguided minds going along publicly with so-called church reform movement, but great majority undoubtedly solidly opposed to Chi Commies and USSR. They are strongly pro-US and wld prefer Nats to Commies.

8. *Troops and officers.*

Most highly indoctrinated of all groups except party members are well taken care of and morale men reported good. However, many showing understandable reluctance be sent Korea. Garrison forces So Chi replacing troops sent North gen lower caliber with poorer morale. ConGen has reports which are very difficult evaluate that large proportion former KMT troops wld defect if opportunity arose. However, Commie control over ind soldiers after reorganization extremely effective and much wld depend upon establishment favorable conditions for defection. There must be something to defect to. Alleged dissident Commie source mentioned above claims significant member [*number?*] old time Commie officers dissatisfied with party leadership and prepared defect under proper conditions.

9. *Comment.*

Term pro-Chi Nat somewhat misleading. People so described are anti Chi Commies and consider selves worse off now than under Nat govt. They wld welcome any anti-Commie Chi force but many recognize Chi Nats wld not be effective without basic reforms. Chi Commies have already brought fundamental change in old society and restoration Nat govt in previous form impossible. In AFL[?] groups there are many who wld welcome chance adhere to some new polit org which independent of either Nats or Commies.

No specific info available on attitude of people toward UK. US univl recognized as leader of anti Commie struggle and UK probably just coupled with US as another member democratic camp.

No reliable info on attitudes of ethnic minorities.

McConaughy

793.00/4-2351 : Telegram

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, April 23, 1951—4 p. m.

5563. Deptel 4734, April 17[1] and Embtel 5527, April 20.[2] In connection with the Department's feeling that the British shld now be prepared make certain concessions to US viewpoint on FE problems, EmbOff has been undertaking an evaluation of likelihood of modification of Brit policy toward China.

1. It is believed that nothing which has so far happened will change basic policy of present govt of pressing for establishment normal dipl relations with CPG altho from practical viewpoint there is little hope of expectation CPG will agree to exchange of Ambs. Similarly events to date have done nothing to change Brit policy of supporting CPG's application for UN membership; this is in accordance with Brit concept of UN as international forum for peaceful exchange and if possible amelioration of views and that admission to UN in no way implies approval of govt.

2. On other hand, there has been noted increasing tendency take firm line in retaliation for (*a*) CPG aggressive action in Korea, and (*b*) ill-treatment Brit natls and requisitioning of Brit property in China. For example, Dept will have noted (*a*) the embargo on shipments of oil to China last summer, the requisitioning of the *Yung Hao* and the recent action designed to restrict shipments of rubber to China, and (*b*) the withholding of visas to the head of CPG del to the meeting sponsored by the Brit-China Friendship Assn in London and to the proposed CPG del to Malaya.

[3.] China Dept FonOff has submitted to FonMin comprehensive survey of difficulties encountered by Brit interests in China including attacks on Brit shipping near Hong Kong, arbitrary with-holding of exit permits, exorbitant demands made on Brit firms, arrest of Brit dipls, expulsion Brit ConGen Tihwa, etc; etc. Survey ends with expression of views that it firm policy of CPG eventually to expel from China all alien interests not contributing indirectly to strengthening of present regime (or at least not undermining it) but makes no recommendations. Primary purpose this exercise was place facts before new FonMin[3] and justify strong representations about to be made by Brit dipl rep Peiping on behalf Brit, Austral, Canadian and US natls and interests. (Although understood no specific ref to Hong Kong made in survey, FonOff under no illusions re ultimate fate that colony; apparent aim of Brit Govt is postpone as long as possible any overt CPG move in that direction).

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[1] *Ante*, p. 352.

[2] The reference telegram stated that although the British were willing to make certain limited concessions, they were unlikely to make any major changes in their Far Eastern policies (711.551/4-2051).

4. In explanation relative lack of publicity given such incidents in Brit press, and relative mildness of retaliatory action taken by govt up to present, Emb off given understand Brit Govt wishes avoid taking any action which will (*a*) embarass Brit interests and Brit natls in China which are in a sense hostages, (*b*) contribute to further deterioration of Sino-Brit relations and force CPG into even closer relationship with USSR and thus remove possibility development Titoist tendencies, and (*c*) amount to public admission govt's Chinese policy has not paid dividends.

5. There is, of course, considerable speculation as to possible change of policy in event of change of govt in UK. If Conservatives assume power there will certainly be reexamination Brit China policy, and if general elections do not take place before autumn (which in view Bevan's[4] and Wilson's[5] resignation now seems unlikely) Conservatives may force reexamination before then. It thought likely no basic change of policy wld result from this reexamination although there wld certainly be change of emphasis. On basic present position it cld not be expected that a Conservative government wld recall UK rep Peiping. On other hand it might very well be Brit wld no longer support CPG for membership UN and wld be willing strengthen economic sanctions. In explanation it shld be pointed out Conservatives divided on China issue. As early as autumn 1949 Churchill[6] came out strongly in Commons for recognition CPG, while Eden[7] and Salisbury[8] opposed. Conservatives with economic affiliations in FE pull one way while those with ideological anti-Communist views pull another. Always present in minds Brit policy-makers is unfavorable reaction on India of any drastic measures directed toward China.

6. It perhaps wld be pointless to speculate what further deteriora-

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[3] Herbert S. Morrison had become Foreign Minister in March, following the resignation of Ernest Bevin.

[4] Aneurin Bevan had recently resigned as Minister of Labour.

[5] Harold Wilson had recently resigned as President of the Board of Trade.

[6] Winston Churchill, Leader of the Opposition.

[7] Anthony Eden, Deputy Leader of the Opposition.

[8] Robert Arthur James Cecil, Marquess of Salisbury, Leader of the Opposition in the House of Lords.

tion Brit-CPG relation wld have to occur before present govt cld be expected radically to revise Chi policy. It might require further overt evidence of CPG aggression, perhaps directed toward Indochina. In other words, unless Brit hand is forced, a radical change in UK policy toward CPG cannot be anticipated, although a progressively tougher policy will be followed in (*a*) in the face of anticipated evidences of increasing CPG unfriendliness toward UK, or (*b*) rejection by CPG of GOC or other UN peace moves.

7. As it looks from here, Brit efforts maintain some sort of working relationship with CPG have served useful purpose; Brit reps China have been most cooperative in extending protection to American interests there and even though their patience in attempting establish dipl relations with CPG in the end proves fruitless, they will have demonstrated to all reasonable people that open CPG break with Western Nations was due to no fault of UK.

Rptd info Paris unnumbered.

GIFFORD

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124.935/4-2551 : Telegram

*The Secretary of State to the Embassy in the Republic of China*

SECRET WASHINGTON, April 25, 1951—8 p. m.

1145. Fol terms reference for MAAG Formosa approved by International Security Affairs Comite Apr 20, 1951 summarized below for your info.

I. *Relationships at the Country Level*

US reps at country level shall constitute a team under leadership of Chief of Diplomatic Mission who is responsible for assuring that reps speak and act in consistent manner. They will refer to appropriate Wash agencies, with a joint recommendation or statement of differences, all matters which they are unable to resolve. Each memb bears the primary responsibilities as detailed below, either as a part in formulating coord recommendations or in carrying out unilateral tasks in connection with implementing approved programs.

II. *Chief of Diplomatic Mission*

Chief of Diplomatic Mission is responsible for the coordination and gen direction of entire effort for ensuring that US for pol is reflected in all operations connected with furnishing of US assistance, and for providing coordinated recommendations to Wash. He will be primarily responsible for:

*a.* Carrying out negots with the Chi Nat Govt for obtaining formal agreements and polit actions which will provide a foundation and support for maximum realization of mutual security assist objectives; and

*b.* Furnishing polit advice and guidance to the other US Reps and making appropriate reports to Dept of State.

### III. *Chief of ECA Mission*

ECA Mission Chief, with appropriate assist from MAAG, is responsible, under the gen direction of Chief of Diplomatic Mission, for leading and coordinating US econ efforts within the country and for making appropriate recommendations. He is primarily responsible for:

*a.* Assisting the country to develop its defense production program to supply such of its own mil requirements as feasible;

*b.* Advising, negotiating and assisting Chi Natl Govt on econ aspects of country program to ensure support of objectives of the Mutual Security Assist Program;

*c.* Evaluating and compiling info re country availabilities and deficiencies in critical materials and products, and on industrial capacity and facilities from standpoint of physical plant management, labor supply, materials, utilities and financial support;

*d.* Appraising econ impact of Chi Natl mil program including US mil assistance upon civ econ;

*e.* Determining extent to which essential requirements for prod equipment, materials and components cannot be provided from country sources;

*f.* Providing info upon current US laws and regs re econ mobilization;

*g.* Providing advice and tech info to expedite prod, increase efficiency and improve quality of manufacturing;

*h.* Administering industrial and financial aspects of US econ aid;

*i.* Making end-use check of US tools and materials furnished as econ aid; and

*j.* Maintaining such records and submitting such reports as are required by ECA/W.

### IV. *Chief of MAAG*

Chief of MAAG, with appropriate assistance from ECA Mission Chief, is responsible, under gen direction of the Chief of Dipl Mission, for leading and coordinating US mil program efforts within country and for making appropriate recommendations. He is primarily responsible for furnishing mil judgment on all aspects of program and for:

*a.* Advising mil staff of Chi Natl Govt on initiation and development of requests for aid;

*b.* Determining, in accordance with policy and instructions, matériel requirements, and submitting necessary itemized lists of equipment to be incl in country grant aid program;

*c.* Directing and assisting in the preparation of requisitions for US mil material;

*d.* Recommending priorities of receipt of equipment within limitations of an approved program;

*e.* Coord proposed mil end-item programs with ECA Mission to permit elimination of items which can be obtained from other sources, and to serve as a basis for support by ECA of def programs;

*f.* Participating, in cooperation with ECA reps, in development of programs for indigenous production;

*g.* Receiving US mil matériel and effecting transfer of title to the Chi Natl Govt;

*h.* Advising and assisting the Chi Natl Govt in receipt, identification, storage, maintenance, warehousing and proper use of mil supplies and equipment furnished by US;

*i.* Maintaining supply records showing status of all approved mil programs with respect, particularly, to items not yet requisitioned, items requisitioned but not shipped, items in transit, items received but not yet transferred, and items transferred to Chi Natl Govt and making required reports;

*j.* Initiating recommendations for the standardization of equipment, training methods and doctrines, and advising in implementation thereof;

*k.* Advising and assisting in development of approved training programs, and establishing such US training detachments requested by the Chi Natl Govt as are approved by US Govt. This will include direction of temporary training personnel assigned in accordance with approved policies and programs;

*l.* Observing and reporting on end-use and maintenance of items of equipment furnished; and

*m.* Reporting on program progress, status of training, the capacity of Chi armed forces to utilize equipment scheduled for shipment, and similar matters.

V. *Logistical Support*

In consideration of special circumstances prevailing in Formosa, the affected provisions of FMACC D–8 of Jan 9, 1950, are modified as fols:

*a.* The MAAG will be responsible for employing and maintaining personnel records of its own indigenous employees. Although it will be responsible for their security clearance, this will be coord with facilities of Emb.

*b.* CINCFE will be responsible for all logistical support of MAAG, including those facilities and services customarily furnished by Dept of State. He will also furnish such additional facilities, medical, postal, PX, commissary, communications, etc., as local circumstances warrant. Insofar as furnishing these facilities requires expansion of personnel or negots with Chi Govt, Chief of Diplomatic Mission shall be consulted in advance.

VI. *Relationship with CINCFE*

*a.* MAAG and CINCFE are authorized to communicate directly with each other on all matters pertaining to V. *b* above.

*b.* All programs recommended by MAAG for mil end-item and training assist will be forwarded through CINCFE to appropriate mil dept in Wash for appropriate comment and recommendation. CINCFE shall forward such programs together with such comments and recommendations as may be appropriate and consistent with his responsibilities.

*c.* Copies of all reports of equip furnished, its status and end use, will be furnished CINCFE by MAAG for his info. CINCFE may also request such additional reports of a mil nature as he requires to permit him to carry out responsibilities assigned him in connection with the Pres statement of June 27, 1950.

*d.* CINCFE is authorized to utilize any or all MAAG personnel to assist him to carry out responsibilities concerning island of Formosa that are now or may later be assigned him by appropriate higher authority. He may also, with the prior consent of Chief of Diplomatic Mission, assign to MAAG such additional temporary duty personnel as he requires for proper performance of those duties.

ACHESON

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## *Editorial Note*

Between May 3 and June 27, the Senate Committees on Armed Services and Foreign Relations held hearings on the military situation in the Far East and the circumstances surrounding General MacArthur's recall; United States policy with regard to China was a major subject of discussion. In addition to the testimony of Secretary of State Acheson, Secretary of Defense Marshall, the Joint Chiefs of Staff, General MacArthur, and others the published record of the hearings contains considerable documentary material which was declassified and made public at the time; see United States Senate, Committee on Armed Services and Committee on Foreign Relations, 82d Congress, 1st Session, *Military Situation in the Far East: Hearings* (Washington, Government Printing Office, 1951). The complete transcript of the hearings, including those portions which were deleted from the published record but were subsequently declassified, is available in Record Group 46, Records of the United States Senate, National Archives.

S/P Files: Lot 64 D 563

## *Memorandum of Conversation, by Charles Burton Marshall of the Policy Planning Staff*[1]

TOP SECRET [MANILA,] May 4, 1951.*

Present were: [name deleted], Sabin Chase,[2] and C. B. Marshall, hereafter referred to in the first person.

Chase described the overt mission. I laid out the covert mission.

In stating the antecedents I reviewed the conversations with Second Party. . . .

. . . . . . .

As to disclosure of our covert mission, [name deleted] advised us to let the Minister and Chargé d'Affaires at Manila, J. F. Harrington, know of its existence but not its nature (our conversation with Minister Harrington took place at 4:00 p. m. that day. Nothing memorable was said on either side. I informed him of the existence of a covert purpose. He made no inquiry as to its nature).

[Name deleted] also advised complete disclosure to Walter McConaughy at Hong Kong and to anyone on his staff considered by him to be essential to our purposes.

[Name deleted] said he knew of no contact certain to get word into Peiping of our presence and the attendant opportunity for talks. I suggested, and he agreed, that we should not give evidence of a desire to talk but should merely let our presence and status be known. He said this was important lest our intentions become known to the KMT, which would surely do everything possible to blight our chances. He advised that we should advertise our presence discreetly by meeting a number of possible contacts and intimating that we were high in the line of policy in the U.S. Government. He said that someone would probably get the word through, since rumors and news eddy around Hong Kong and surge in and out of China. He said that if anyone in Peiping should be receptive to the idea of talking an approach would surely be forthcoming; and that if Peiping were not, we would find it out by being ignored. [Name deleted] counseled that it would take a period of several days to develop the prospects and that we must be prepared to tarry in patience a while.

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[1] This is the first of a series of memoranda, dated between May 3 and May 23, written by Marshall during a trip to Manila and Hong Kong; the memoranda are filed in the folder labeled "China 1951 (CBM Hong Kong Report)" in S/P Files: Lot 64 D 563. Acheson noted in his memoirs that Marshall went to Hong Kong and made himself available for contacts with the Chinese after the Department received "a suggestion with some credentials of reliability" that it might be possible to initiate negotiations for an armistice in Korea through an approach to Peking; see Dean Acheson, *Present at the Creation: My Years in the State Department* (New York: W. W. Norton & Company, Inc., 1969), p. 532.

Mr. Marshall stated in an interview on May 13, 1974, that before he left for Hong Kong he had a brief meeting with Secretary Acheson and a meeting of 40 to 45 minutes with Deputy Under Secretary Matthews. He was instructed to try to make contact with the Chinese and, in case of a response, to communicate with the Department. The interview with Marshall is recorded in a memorandum of conversation, May 17, 1974 (611.93/1-651).

*This conversation was held in Manila May 4. It lasted four hours, beginning at 10:00 a. m. . . . Notes on the references to Third Party were taken at the time. The rest of this memorandum was written from memory on May 11. [Footnote in the source text.]

[2] Augustus Sabin Chase, Chief, Division of Research for Far East, in the Office of Intelligence Research.

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S/P Files: Lot 64 D 563

*Memorandum of Conversation, by Charles Burton Marshall of the Policy Planning Staff*

TOP SECRET [HONG KONG,] May 7, 1951.*

Present at the outset were: Consul General McConaughy, Sabin Chase, and C. B. Marshall, hereafter referred to in the first person. After I had stated briefly what we were about, and at McConaughy's instance and with our concurrence, the following were brought in on the meeting: The political officer, Ralph Clough; . . . [name deleted], and the executive officer, Joseph Yager.

McConaughy expressed doubts over the positive results in prospect. . . .

The conversation shifted to procedure. The following points were agreed on: (*a*) that Chase and I should talk to a lot of individuals of varied status and let the word get around that we were at hand and had something up our sleeves; (*b*) that I should participate in the various conversations so as to preserve the appearance that both Chase and I were there on an information-gathering mission; (*c*) that we should not make overtures about possible channels to Peiping but should appear interested and alert to any hints coming from others; (*d*) that the attempt to lay a channel to Peiping should proceed along as many lines as appeared practicable; (*e*) that I would generally be introduced as a member of the office of the Secretary of State so as to highlight the idea of being someone in the line of policy.

The name of Eric Chow was brought forward as a possible contact. It was explained that he was editor of *Ta Kung Pao*, local outlet of the Chinese News Agency. It was recognized as a Communist sheet, and he was reputed to be a local agent for the Peiping Reds in regard to matters besides news. It was agreed that Clough would arrange a meeting with Chow for us at a dinner party at Clough's home.

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*This conversation was held about 4:00 to 5:00 p. m. in Mr. McConaughy's office in the Consulate General in Hong Kong. This memorandum was written from memory May 11. [Footnote in the source text.]

A second specific name brought forward was that of Chang Shih-chao.[1] It was explained that he was a person close to Mao Tse-tung and that [name deleted] . . . had access to someone who was in contact with Chang Shih-chao and that [name deleted] could probably arrange to have word of our presence in Hong Kong forwarded through that channel.

In a metaphor used by one of the consular officers present, we should fire some shotguns and a rifle. Eric Chow would be in the birdshot category and the channel to Chang Shih-chao would be in the bullet category. In the first instance there was a high probability and in the second a virtual certainty of getting the word through to Peiping.

It was agreed also that Yager should seek possible contacts for us on a trip to Macao later in the week. (Yager went to Macao about two days later and was gone for some five days. On his return he reported negative results).

It was agreed that to facilitate our conversations we should move from our temporary quarters in the Peninsula Hotel, Kowloon, to the Hong Kong Hotel. It was pointed out that security would not be good at the Hong Kong Hotel (nor for that matter, anywhere else) but that this would be to our advantage since it would be well to have a presence and activities made known though not published. The local officers agreed that all the waiters and room boys would probably be watching and reporting on our activities. It was agreed that to forestall interloping a check should be made of our room in the Hong Kong Hotel to determine whether any devices to pick up our conversations had been installed in the room. (This check was made four days later. The inspecting officer reported negative results. He said never yet had such devices been turned up in the Far East although they were commonly used in Europe and South America).

It was agreed that our visit should be deemphasized so far as the British were concerned. It would be advisable for us to make some official call but this would be confined to a visit to the political adviser to the Governor and Chase and I should be accompanied by one of the subordinate members of the Consulate staff rather than by the Consul General himself. (The Consul General and I subsequently agreed that this was not a wise decision and that it would be well to pay a visit to the Governor of the colony).

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[1] Chang Shih-chao, a journalist, educator, and lawyer, had first become prominent as a radical political writer in the early twentieth century; he was a member of the Political and Legal Committee of the Government Administration Council in the People's Republic of China.

S/P Files: Lot 64 D 563

### *Memorandum of Conversation, by Charles Burton Marshall of the Policy Planning Staff*

TOP SECRET [HONG KONG,] May 9, 1951.*

Present were Eric Chow, Ralph Clough, Sabin Chase, and C. B. Marshall, hereafter referred to in the first person.

Chow turned out to be a fat, extroverted Chinese, about 36 years old. It would be almost, but not quite, fitting to call him urbane. The show of warmth was too much, the laugh at sallies of humor too hearty, and too obvious the attempt to disassociate himself spiritually from the Peiping regime.

Chow began by covering the development of the Chinese Communists' tutelage to Moscow. He recounted the Sian-fu kidnapping and the sequel of cooperation between the KMT and the Communists. He recounted the break-up of cooperation in 1940 signaled by the attack on the Fourth Field Army. He said that so long as positional warfare had continued, cooperation had remained possible but as soon as the two political elements had been placed in competition with each other in developing a popular base in a static situation cooperation had ceased to be possible. He recalled that at the time preceding the break-up of cooperation he had been at Yenan. He said the Communist leaders then had seemed oblivious of Russia as a special consideration in Chinese policy. He said that nothing in their speeches or conversation or in the indoctrination of their cadres had indicated special regard for Moscow; no Russian infiltration was evident. He noted that at that time Chou En-lai had been the exponent of the united front.

Chow said that after V-J Day, in September of 1945, Mao Tse-tung had made a speech asserting the purely Chinese basis of Communist policy and that this speech contained a veiled warning to Russia not to regard China in a special position of subordination.

Chow said that the orientation toward Moscow had resulted largely in reaction to United States backing of the Kuomintang. He said that the Chinese Communists had felt that alone they could not prevail against domestic enemies supported by the United States and came to regard the United States as the implacable foe of any Chinese development of communism.

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*This conversation lasted about three hours. It was held at a dinner party at Ralph Clough's house from about 8:00 to 11:00 p. m. No notes were taken. This summary, written out on May 11, is derived from catchwords set down, with Chase's aid, within an hour after the last utterance. As it emerges in this writing, the conversation sounds more orderly and narrative than it actually was. [Footnote in the source text.]

This interpretation, he added, had been strengthened decisively by the publication of the China White Paper in 1949. Chow described this as solidifying the decision to tie to Moscow's apron strings. He said that many copies of it had been obtained at Communist headquarters and had been analyzed page by page and sentence by sentence; it was taken as confirmation that the United States was disposed to intervene in Chinese affairs, to throw its weight behind the side it deemed conservative, and to regard with active disfavor any Chinese course in the opposite direction.

A comment was interpolated to the effect that the publication was regarded by others as a blow to the Chiang regime. Chow observed that the China White Paper had established a high mark for abortiveness as a diplomatic gambit. This appraisal I did not contest.

Chow said the policy of "leaning to one side" had been brought forth tentatively soon after the issuance of the White Paper, and in sequence then occurred the establishment of the Communist government at Peiping, the recognition by Russia, and strong re-affirmation of the pro-Russian orientation. He said that at that time the Politburo at Peiping was divided on the policy of leaning to one side.

I asked whether these high authorities were still divided on this. He said that they probably were, but this was supported by no overt evidence, for whatever differences might occur within the Politburo they were not outwardly reflected. He pointed out that the semiofficial Foreign Relations Association at Peiping had recently issued some statement alluding to the desire of the Chinese people for friendship with all other peoples. He said that this indicated that the policy of leaning to one side was not to be regarded as a universally accepted and permanent formula.

Chase observed that the word "people" has special meaning in the Communist lexicon—the populace regarded from the viewpoint in proletarian politics. He observed that friendship for all peoples meant not friendship for all governments or all nations but friendship for all politically organized proletariats. I added that the word "people" had special meaning in all totalitarian lexicons. I compared its meaning in the Communist lexicon with its meaning in the Nazi, Fascist, and Falangist vocabulary.

Chow said that anyway the policy of leaning to one side was not really a policy but should rather be described as a strategy. He said it lacked the permanence of a policy but did not bear on the ends of the regime but related rather only to temporary means and would pass in time. He said that some Stalinist zealots had espoused the idea of doing away with instruction in English and Western European languages in the Chinese educational system since important Chinese relations in the future would be only with Russia but that this suggestion had been overruled on the ground that China would again some day deal with the rest of the world.

Chow said that the true place of the policy—or strategy—of leaning to one side might soon be made clear in a book being written by Mao. He said that Mao had retired from the scene of active politics some months ago in order to write a book bringing up to date the theoretical basis of the party. He said Mao believed he had become too deeply enmeshed in practical politics and had need of refreshing his theoretic sources. Meanwhile, he said, the leadership had devolved on Chou En-lai for running the government and on Liu Shao-chi for party affairs. He said that many people made the mistake of distinguishing ideologically between these two, failing to take into account that the differences between them stemmed from the circumstance that one was operating in a governmental framework and the other in the party framework.

Chow resumed his account of the growth of Russian control in China. He said that Mao had been highly flattered during his trip to Moscow the winter before last. He had been paid respect beyond the measure allotted to other satellite leaders and was told repeatedly that China was a partner of the Soviet Union—a partner almost equal to the Soviet Union itself. Chow said that in this atmosphere of flattery and talk of dignified collaboration, the Sino-Soviet treaty[1] had been brought forth.

Chow said that when the Korean affair came up, the Soviet leaders turned to China saying: "This is something in your sphere. As our main partner—as the next greatest Communist power, you should take care of this. This will mean sacrifices for you for a while, but the role of world communist leadership is not an easy but an heroic one. Anyway, we Russians will be making even greater sacrifices in the common cause when the inevitable final struggle with the capitalist world occurs."

Chow then continued:

As of last fall the Chinese were really afraid of attack, really believed the United States planned to extend the struggle to the Chinese mainland. In their view the logical way for the United States to do this would be to get a lodgment in Korea, move northward against the hydroelectric power sources of vital importance to the industry of Manchuria. Chu Teh had made a speech last September to the effect that the Chinese must watch to see what the U.S. intentions were.

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[1] The text of the Sino-Soviet Treaty of February 14, 1950, and two accompanying agreements, may be found in *Documents on International Affairs, 1949–1950*, issued under the auspices of the Royal Institute of International Affairs (London: Oxford University Press, 1953), pp. 541–547.

Chu Teh had said these intentions would be shown by whether U.S. forces crossed the 38th parallel, for if they crossed, it would mean that their intentions were beyond the restoration of the *status quo* and aimed at jeopardizing China. Chu had said that the Chinese could not tolerate the United States' forces getting into a position to threaten the power sources for Manchurian industry.

The Chinese concurrently were sure of a U.S. landing at Shanghai and had taken preparations for it.

Chow remarked that this might sound silly to us, but it was not silly to anyone who understood the Chinese Communist mentality. He said it was important to remember that their only window was on Moscow.

Chase asked whether the Chinese Communist leaders had their eyes open now that the United States had manifestly not acted aggressively against China. Chow said the critical question was not only as to having one's eyes open but also as to what windows were available for one to look through.

Chase asked specifically whether the men of Peiping now saw that they were misled in judging the intentions of the United States as aggressive.

Chow said in answer:

The men of Peiping were solid in their view that the United States was their enemy and that a U.S. war with Russia was a high probability.

They were persuaded by the logic of history that the Western powers would be defeated by the Communist powers in such a war and that the victorious emergence of the Communists were assured, with or without war. This was the logic of history.

I said the following:

The logic of history was a subtle and theoretic thing; I preferred the study of history to the study of the logic of history. The course of recent history was strewn with the bones of regimes that had underestimated the will and power of the United States. If war came it would happen again.

We did not want war. This was not because we had doubts about its outcome. On that we were assured. We would win. We had the strength. We knew our capabilities. It would be a hard ordeal. We would suffer greatly. But we would win. Anyone who consulted the data of our strength would know this. Only those who took refuge in the logic of history to avoid the plain lesson of the present facts could doubt it.

We wished to avoid that war not because of expectation of defeat but because of our knowledge of the pain it would cause not only to ourselves but to all the world. Such a war would be an ordeal for us but would be painful beyond all experience to the nations we would defeat. We certainly hoped to be spared the necessity of participating in such a human tragedy.

A further factor in our desire for peace was our anticipation of the effect of a war upon the American spirit and American institutions. The United States would certainly come out of a Third World War into a Roman phase in its historical development.

Up to now we had attempted to deal with other nations on a basis of comity, fairness and compromise. If we were forced to go through the ordeal of a Third World War in the defense of our own national security we would put all of those impulses behind us. We would have no disposition to show mercy or consideration to any nation which had helped our adversary.

It would be woeful for China if its rulers in their blindness caused China to be in our adversary's camp if and when a war should come. There would be no possibility of China's starting out in the camp of our adversary and then shifting over when the tide of battle had definitely shifted our way. During World War II we did permit Italy to make this sort of a shift, but I was sure that Marshal Bagdolio would go down as the last man to have saved his neck by being a turncoat. If China were caught in the camp of our adversary at the outbreak of a world war it would have to suffer the consequences to the bitter end. We could not afford to show it mercy or consideration. It would probably mean that the Chinese would be set back a century or more in their progress. We would regret this. We would regret that the blindness of China's rulers had forced such a situation and such a choice upon us.

Men of reason and good will everywhere must now be thinking just as such men had thought in the summer of 1914 and in the long months of anxiety in 1938 and 1939. The thought uppermost in their mind was the urgency for finding some way to avoid a tragedy.

Such a thought was strong in the minds of the men who determine policy in the United States. Unfortunately the choice was not theirs. The determining power was in the hands of the men who ruled in Russia and who rule in China. It was particularly within the power of the latter to choose a line of policy which would relieve the dangers of war or to persist in a line of policy that would make war virtually inevitable. The best chance of avoiding war was to create circumstances which would give pause to men in the Kremlin. The best way to produce those circumstances would be to create an independent course of action in China as a substitute for the present Chinese line of subservience to the world designs of Moscow.

During this part of the discussion Chow lost his ebullience. His face became set and grave. He divided his time between watching me and watching his plate. I was certain that my words had had a great effect on him. I checked this impression with my companions and they were of the same view.

After a brief pause Chow renewed the discussion by observing that I seemed to have found all the faults to be on China's side and asked whether I did not think the United States had also made some mistakes. I said that of course the United States had made mistakes and that an errorless course of action was no more to be expected of a nation than it was to be expected of an individual. I said that the circumstance that all governments made errors could not be made the basis for excusing tragic folly in the conduct of any particular. I asked Chow specifically what he had in mind.

He said that it occurred to him that a great deal of the difficulty and the impasse would have been avoided if the United States had early recognized the Peiping Government as the dominant and sovereign power in China.

I spoke as follows:

Personally I was inclined to agree with this point of view. I did not regard recognition as a stamp of approval or as carrying any moral quality or implying any value whatsoever. Recognition was just a conduit for doing business.

In my view if the United States had problems with China those problems should be dealt with through some channel. This meant that there should be some regular channel of handling affairs between the two countries and that in turn meant diplomatic recognition.

Chow appeared pleased and remarked that he was glad to find me in agreement with him.

I resumed as follows:

So far I had spoken about the theoretic aspects of recognition. I wanted to add something about the practical aspects because these bore upon the present problem of relationships between the United States and China.

We had recognized a number of the satellite countries in Eastern Europe—all to no good purpose. Recognition of the regimes in Bulgaria, Hungary, Rumania, Poland, etc., had not achieved the purpose for which recognition was extended.

The reason for this was no deficiency in recognition as a channel, per se. It was in the simple circumstance that the governments concerned had lost their moral autonomy and were no longer capable of doing business in their own right.

Any government which wanted to be recognized as a government was under the compulsion to make sure that it remained in essence a government. One of the essential characteristics of a government was its ability to enter into and carry out contracts in good faith.

Every Chinese should ask himself the question whether the government at Peiping fulfilled that test. We in the United States had looked with the utmost anxiety upon the penetration of China by alien authorities responsive not to Chinese needs or Chinese aspirations but to the will and purposes of the Kremlin.

China was in the gravest danger—perhaps this had already occurred—of becoming a colony to a new imperialism which went under the name of anti-imperialism.

Chow responded heartily to this and said I had hit the nail on the head, or words to that effect. Chow observed further:

Americans did not appreciate the emotions which guided the men of Peiping. We should take more into account the prides and inward feelings and emotional content of their minds.

They were dominated by a great resentment against the United States for its persistent support of the KMT against the Communists and there would be a long period of bitterness and conflict before this emotion could work itself out.

I then spoke as follows:

It would be one of history's most tragic paradoxes if a nation, namely China, should be led into a terrible tragedy simply because of some emotional feeling on the part of the men who ruled it.

We in the United States also had emotions but we had better sense than to allow our emotions to rule our policy.

My own emotional impulse was that the United States should carry the war to the Chinese mainland, destroy Chinese commerce and industry and teach a terrible lesson to the men of Peiping for their affronts to my country and for their destruction of American lives in Korea, all to the purpose only of serving our enemies in the Kremlin. This emotion was shared by our military establishment, by our diplomatic establishment, by the public leaders of the United States, by our press and by President Truman himself.

We put this emotion aside, however, and tried to be guided by reason in the interest of humanity.

The consequences were always tragic when the rulers of nations attempted to use public policy as a means of satisfying their own emotional drives. It was certainly devoutly to be wished that the men of Peiping would take a more reasonable and calculating view of their situation and do it soon.

It would be a mistake to assume that the determination of the United States to guide by reason and to withhold itself from indulgence of its emotional impulses was limitless. There was certainly a point—I did not know where or when it would be reached—at which the American people and their government would say, "To hell with it. Let's give the Chinese what they're asking for".

Chase made the following observations:

The Chinese Communists did not appreciate the tremendous pressure under which the government of the United States was being placed.

There was a growing demand in the United States for direct action against the Chinese mainland and that this demand was not abated but was actually intensified by occurrences in the sequel to the removal of General MacArthur.

The Chinese were to make a mistake if they interpreted the MacArthur removal as eliminating the possibility of direct action against the Chinese mainland.

Chow said that the Chinese Communists had their own special interpretation for the MacArthur issue. He particularized as follows on this interpretation:

> At present the press was most interested in the conflict of the point of view between General MacArthur and Secretary Marshall. This was being presented as a conflict between two wings of American capitalism. The first wing was dominant in the Eastern states and centered in New York. It reflected the view of the American capitalists who were interested in investments and business opportunities in trade with respect to Europe. Marshall was seen as the champion of this group. This group wanted to turn primary attention away from Asia and towards Europe for the time being. The other wing was dominant in the Middle West and in the Far West. It represented a more traditional Republican point of view. Its overseas concern was mainly in the Pacific area rather than in the Atlantic. Its view was articulated by the mid-western members of Congress and was reflected notably in the Chicago *Tribune*. Its champion was General MacArthur, who was from Wisconsin, who had made his career in the Pacific and who was close to the international circles of the Republican Party. This group would make American capitalist stakes in the Pacific the primary concern of the American foreign policy. It favored the re-conquest of Asia as item number one on the American agenda.
>
> Another element in the interpretation was that MacArthur had been relieved because of a military failure. As the Chinese Communists had interpreted the events to the public in China, MacArthur had been sent north in Korea to cross the Yalu, penetrate Manchuria and make war on China. He had misinterpreted the strength and timing of the Chinese resistance, had made a bungle of the campaign and had been removed for that reason. The United States was concealing its chagrin by making rationalizations for the removal of MacArthur.

Chow said that from the American point of view, it was obvious that the North Koreans had caused the aggression, but this was being withheld from the Chinese; they were consistently being given the interpretation that the South Koreans had been the aggressors and had acted at the instigation of the United States and with close support of American forces.

Chase inquired as to how they explained away the circumstances that there were obviously no American forces in Korea at the time that the fighting occurred. He pointed out that General MacArthur had brought this out in his testimony and that it was obviously the case in everyone's recollection.

Chow said that the Communist press in China had interpreted MacArthur's testimony in this respect as an alibi by which MacArthur was trying to explain away his failures as a commander and to remove from his reputation the onus of failure.

Chow continued as follows:

The notion of South Korean aggression was obviously without foundation in fact to men who had free access to all the information. He had had an editorial problem in the publication of his paper in Hong Kong. If he had followed the Peiping Communist interpretation of events he would have made his paper the laughing stock of everyone in Hong Kong. Accordingly he had tried to be vague as to the identity of the aggressor as of last June 25. He had always treated the subject by referring to the long period of local sorties back and forth across the border and by observing that apparently the sortie that had touched off all the trouble happened to have been one made by the North Korean forces.

This had caused a great deal of criticism of his editorship by Communist authorities and he had been reproved by the Editorial Supervisory Board of his paper.

As a result he expected to be ousted as editor within the next month or so.

He was in a difficult position because he had no way of getting an explanation through to the authorities in Peiping as to the necessity which caused him to put forth this interpretation. All Communist affairs were handled by strict adherence to the chain of command and he was forced to deal exclusively through the channels of the Chinese news agencies and with the editorial board immediately above him.

Clough, Chase and I interpreted this last point as prompted by Chow's recognition that we were trying to give him a message to get over to Peiping. He may have been signalling to us that he no longer had a channel by which to get such a message through or he may have been providing a cover for his intention to get the message over. It was difficult to say which was the case.

In the closing phases of the conversation Chow commented on contemporary conditions within China. He spoke as follows:

> It was difficult to tell whether the war in Korea had been forced upon the Peiping government as a means of stepping up its internal program or as a consequence of stepping up its internal program.
>
> Whatever the cause and effect of relationship might be, there was no doubt of a direct and essential connection between the war and the course of internal policy.
>
> Concomitantly with the war the land reform program had been put through ruthlessly. It would probably have been impossible to do this except in the atmosphere of war.
>
> Virtually everybody was better off than before the Communists had come in. Minor bureaucrats had more power, were getting better pay and enjoyed the situation of working in an effective government. Workmen were generally much better off than previously and had benefited greatly by the Communist policy of concentrating the food supplies in the cities at the expense of the countryside. Small farmers were about as well off as formerly. The tenant farmers were much better off, and only the landowners had suffered.

At the conclusion of the conversation Chow made special inquiry as to how long we would be in Hong Kong and where we were staying. I told him we would be around for about one week. Chase emphasized that the time was extendable in the light of what might turn up to challenge our continued attention here.

Chow rode back to the center of Hong Kong with Chase and me. His whole demeanor was of the utmost friendliness. He repeatedly expressed his gratitude for having been given such a disclosure of the attitude of the United States. He left us with an expression as to his appreciation of the privilege of holding a free conversation with free men who still enjoyed the privilege of free thought.

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894A.00-R/5-951

### *The Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Director, Far East Program Division, Economic Cooperation Administration (Griffin)*

SECRET WASHINGTON, May 9, 1951.

DEAR ALLEN: On May 3 Mr. Foster[1] discussed with Mr. Acheson, among other subjects, the possible need of some modification in the general policy framework within which the ECA Mission in Formosa should conduct its relations with the Chinese Government. He expressed the view that circumstances now justify statement of a more forceful policy than that contained in my letter of March 19 to you. There, our policy is stated as being that "The ECA Mission should advise but should not give direction to the Chinese, overtly or tacitly, in the conduct of the economic administration of the Island." You have met since then, with Mr. Merchant, and agreed, I understand, that it would be desirable for the Department to provide the Economic Cooperation Administration amplification of our intent in the above policy statement.

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[1] William C. Foster, Administrator, Economic Cooperation Administration.

The Department of State fully recognizes the importance that the ECA Mission on Formosa should exert its influence vigorously and firmly, in the Economic Stabilization Board and elsewhere, for the improvement of Chinese Government policies and practices in the broad fields of agricultural reform, export and import controls, industrial rehabilitation and in the basic field of fiscal administration. In general, the ECA Mission should attempt to achieve the proper and effective use of Chinese revenues from all sources as well as the most effective utilization of American economic aid. To this end the ECA Mission should, of course, be adequately staffed, work closely with MAAG and the Embassy to insure consistent policies and the exercise of coordinated pressures, and should continue to assign as observers on the Economic Stabilization Board representatives qualified to provide sound technical and policy advice.

An important and relevant problem arises from Chinese military expenditures on Formosa. It is probably inevitable that the military establishment must continue to impose a heavy burden on the national budget. It is not necessary, however, that its charges on Formosan resources be so unpredictable, arbitrary, and irresponsible, in terms of the social and economic consequences they produce, as to render sound economic planning almost, if not completely, impossible. I have requested Mr. Cabot to give careful and urgent consideration to the feasibility of working out arrangements, perhaps as a condition for the delivery of United States military assistance, for bringing under some kind of rational control the military expenditures of the Chinese National Government. If we can work out and then obtain the cooperation of the Chinese National Government in such arrangements, they would contribute basically to the prospects for the genuine and enduring results which ECA is seeking in the economic field. I am certain that Mr. Cabot will, in the near future be inviting the cooperation of the Economic Cooperation Administration as well as that of the Department of Defense in his study of this problem.

Sincerely yours, DEAN RUSK

603.4193/5–1451

## *Memorandum of Conversation, by the Deputy Director of the Office of Chinese Affairs (Perkins)*

CONFIDENTIAL [WASHINGTON,] May 14, 1951.

Subject: Publicity Regarding British Protest at Peiping on Detained Americans

Participants: Mr. D. A. Greenhill, First Secretary, British Embassy
Mr. T. L. Perkins, CA

Mr. Greenhill called today and read to me a message of April 30, 1951, received by the Foreign Office from Mr. Leo Lamb, their Chargé at Peiping, stating that the Chargé had failed to obtain an interview with lower-level officials of the Communist foreign office to protest the detention of United Kingdom, United States, Canadian and Australian nationals in China. Mr. Lamb said that an attempt to see higher officials during the May 1 celebration week would probably be fruitless. Therefore he was sending a memorandum, along the lines of the text already cleared with the Department of State,[1] to the Communist vice minister of foreign affairs on April 30.

In his message to the Foreign Office, Mr. Lamb suggested that at least a week be allowed for the possible return of the memorandum by the Communists without acknowledgment. This apparently has not occurred, but the British now plan, with the agreement of the U.S., Australia and Canada, to go forward with a public announcement about May 21 along the lines of the attached draft.[2] Mr. Lamb had suggested that the announcement might be either elicited by a question in the House of Commons or by an arranged question from press representatives to the Foreign Office; it is probable that the latter procedure will be followed, Mr. Greenhill indicated.

Mr. Greenhill said the Foreign Office had suggested that the United States, Canadian and Australian foreign affairs departments might wish to simultaneously make similar (although not the same) announcements. He said that the question was also being put before the Canadian and Australian Governments and that he would appreciate having our views as to the possible U.S. statement[3] and the timing thereof. I told Mr. Greenhill that I would immediately check and mentioned that in our own announcement we would probably also like to note the situation of Americans who have long been denied exit permits.

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[1] See Clubb's memorandum of conversation of April 10, p. 1625.

[2] Not printed.

[3] On May 21, the State Department issued a statement to the press expressing concern over the imprisonment by Chinese Communist authorities of more than thirty American nationals, who had been denied access to legal counsel and to British officials, and over the denial of exit permits to some Americans who were trying to leave China. The statement noted that the British Chargé at Peking had made representations on April 30 on behalf of the Americans under arrest, as well as the United Kingdom, Canadian, and Australian nationals in that situation. For the text of the statement, see the Department of State *Bulletin*, June 11, 1951, p. 947.

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110.11/5–1451 : Telegram

### *The Consul General at Hong Kong (McConaughy) to the Secretary of State*

SECRET PRIORITY HONG KONG, May 14, 1951—11 a. m.

3369. To Acheson for Dep Under Secy Matthews.[1] Marshall and Chase have made available of all known possible contacts. They plan wait till May 19. Thereupon if nothing to justify their continuation here has appeared they will return to Washington. Meantime they request any further instructions or relevant info from you.

McCONAUGHY

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[1] The telegram was circulated to Frederick E. Nolting, Special Assistant to the Deputy Under Secretary; Nitze; and Merchant.

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110.11/5–1551 : Telegram

### *The Consul General at Hong Kong (McConaughy) to the Secretary of State*

SECRET PRIORITY HONG KONG, May 15, 1951—4 p. m.

3376. To Acheson for Under Secretary Matthews.[1] Additional possibility makes it desirable for Marshall and Chase to postpone departure until May 23.[2]

McCONAUGHY

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[1] The telegram was circulated to Nolting, Nitze, and Merchant.

[2] Telegram 3850 to Hong Kong, May 18, 1951, informed Marshall and Chase that their plan to remain in Hong Kong until May 23 was approved (110.11/5–1851).

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S/P Files : Lot 64 D 563

### *Memorandum of Conversation, by Charles Burton Marshall of the Policy Planning Staff*

TOP SECRET [HONG KONG,] May 17, 1951.*

Present at the conversation were [names deleted] . . ., and C. B. Marshall, hereafter referred to in the first person.

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*This conversation was held in the upper lounge at the Hotel Peninsula, Kowloon, from 2:00 to 3:00 p. m. It was written up on May 21 and May 27 from sketchy notes taken during the conversation. [Footnote in the source text.]

First a note as to background:

[Name deleted] was regarded in the political section of the Consulate General as the person who had the surest channel to persons near the center of authority in Peiping. . . .

. . . . . . .

Preceding the conversation I consulted with [name deleted] on tactics. It was agreed I should volunteer remarks only about the idea of establishing a secret contact to use in event it should ever become propitious to approach the problem of restoring peace; that I should not seek to pump [name deleted] for information and that I should not attempt to bring up the topic of the U.S. attitude and policy; that if he should make inquiries about them, I should give him the same line I had given Eric Chow . . ., but with great reserve.

I opened the conversation by stating to [name deleted] the following:

> I was in the line of policy at the Department of State.
>
> I was in Hong Kong to study certain problems in relation to our Far Eastern policy.
>
> I understood that [name deleted] had told him of my presence and that he had communicated this to friends in Peiping who had the ear of those in authority.
>
> This initiative on his part was interesting. It had given me an idea. It seemed advisable for people on both sides of the quarrel to give attention to how to go about settling it in event the times should become propitious.
>
> It was hard to see how the initial steps could be taken in the public and somewhat rigid framework of the UN. It was difficult to set up an official and overt channel between the governments.
>
> It seemed therefore that people having access to the two governments should establish a line of communication so that the chances for peace would not be lost merely for lack of a way to open conversations. It occurred to me off-hand that probably such talks, if they ever should come to pass, would have to pass through three stages. First it would be necessary to talk about having talks about talking. If all went well, it would then be possible to go on talking over arrangements for talks. At about that stage some informal system of credentials would have to be set up so that each party would know it was not being deceived as to the status of the other. Finally, after some exchange of less informal credentials, the process could advance to definite talks about a basis on which to arrange an end to the conflict.
>
> After such a basis had been agreed to—and only after that—it would be possible to make public disclosures and proceed to formalize the agreement through the UN or some other channel.

[Name deleted] said this all seemed to make sense.

I said it might be opportune for us to get the idea into people's heads in Peiping. I said I was sure I was right in saying that my suggestion was compatible with the highest official views in Washington. I suggested that the channel to Peiping used to get through the message might be used in reverse in event Peiping ever came to a more sensible view about the war in Korea and saw its way clear to ending it.

[Name deleted] then asked whether he might make a statement. I assented. He continued as follows:

. . . . . . .

[Name deleted] asked me whether I could give assurance that the United States would not change its policy and attitude in the midst of efforts on the part of [name deleted] and himself and others to arrange an approach to peace. He said he wished to be sure that our moderate position would continue and that they would not be left in the lurch incident to a sudden toughening of policy or a sudden move toward full war.

I told him the following:

I certainly could not give him such assurance.

I could not promise an unchanged attitude because I was aware that the United States' attitude toward the Korean struggle had already undergone changes. For example, up until a few weeks before, that [*there*] had been wide divergence of opinion on the question whether we should continue the struggle. Many had argued that we should get out and write the whole thing off as something we had started without knowing how to finish it. Within the past few weeks, however, the national will had become resolved. No significant persons suggested that we should withdraw from Korea. We were in there to fight the thing to a finish. Of that no doubt could be entertained. It was up to the Chinese to decide what sort of a finish it would be. It could be a settled conclusion of hostilities by mutual arrangement, or it could be a conclusion reached after untold bloodshed over a very wide front.

[Name deleted] inquired about the degree of urgency in getting messages through and trying to lay the lines for conversations looking toward peace.

I spoke as follows:

This was a question for the Chinese to answer, not for Americans.

We felt we were doing pretty well in Korea now. We were sure we could stay on indefinitely. We would prefer not to have to, but on the other hand the Korean venture was proving advantageous to us in getting our army ready for its larger mission—that of forming a deterrent to the Russians or, if war proved inevitable, of defeating the Russians.

One prospect that made the question urgent for the Chinese was the prospect of war between the United States and Russia. It would be a tough and bloody war. United States victory was pretty certain, but it would come only after a terrible ordeal. We would be hard pressed and would certainly show no consideration to any nation found in our enemy's camp at the onset of hostilities. If I were a Chinese I would be getting very anxious about the possibility of protracting the Korean struggle until the full war erupted. I would know that in that event it would be the end of China's hopes for perhaps a century.

A second prospect that should make the Chinese feel anxious was that the United States would come into the fullness of its strength in about 18 months. That was a certainty—whereas war was problematic. The United States was like any other nation in that its attitude in the fullness of strength was likely to be different from its attitude in a more or less necessitous situation. I could not promise what our attitude toward China might become. I knew what it was at present. General Bradley had just stated it very well in his testimony in Washington.[1] We wanted a reasonable and peaceful settlement and were ready for it any time the Peiping people came to their senses. We might throw all that overboard at a later stage of full strength.

More important than official statements was the attitude shown by the American people. We had been fighting the Chinese now for some months, yet no significant showing of hostility toward China had taken place. Our press, radio, and other channels of opinion had reflected no opprobrium for the Chinese. Chinese walked our streets and did business in our country without fear of insult or injury. This was a new phenomenon to us—to fight a passionless, rancourless war. It indicated a residual friendship that the Chinese should be loath to squander. If the Chinese nation should be able to reestablish rational control of its policy and come to terms with us, it would be making an accommodation with a friend, not coming to terms with an enemy.

Yet this very circumstance of passionless struggle contained a danger that the killing of Chinese might become a sort of a habit with Americans.

My remarks about friendship for the Chinese people should not be construed as indicating approval of their rulers. We made a clear distinction. We regarded the men of Peiping as guilty of the blindest and most reckless folly.

[Name deleted] said that it would be difficult, perhaps out of the question, for the Chinese to come to a termination and settlement with us in Korea if the United States and its allies should crow about the matter as if it were a victory; that the Chinese could not swallow pride. He asked me what assurances could be given in this regard. I said:

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[1] General Bradley had begun his testimony at the MacArthur hearings on May 15.

> The Korean struggle was marginal to us. The big adversary was not China, but the Kremlin. We would not be likely to waste a lot of time crowing about a secondary development.
>
> The same factors that had caused us to restrain our passions in the fighting would likely cause us to restrain them if the fighting were halted.
>
> The U.S. had made clear that it sought not victory but a restoration of the Korean situation conforming as far as possible in the circumstances to what it was before the aggression.
>
> But so far as lightening for the Chinese the burden of their consciousness of not being able to finish what they started—that was beyond our capability.

The conversation ended with a grave exchange of good wishes.

. . . . . . .

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## *Editorial Note*

On May 17, 1951, President Truman approved NSC 48/5, a report to the National Security Council on United States Objectives, Policies, and Courses of Action in Asia, parts of which concerned United States policy with regard to China. For text of NSC 48/5, see volume VI, Part 1, page 33; parts of it are also printed in United States Department of Defense, *United States-Vietnam Relations, 1945–1967*, 12 volumes (Washington, Government Printing Office, 1971), Book 8, pages 425–445. For sections of NSC 48/5 concerning Korea, see page 439.

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## *Editorial Note*

On May 18, 1951, the United Nations General Assembly adopted Resolution 500 (V), recommending an embargo on the shipment of arms, ammunition, and other materials of strategic value to areas controlled by the Central People's Government of the People's Republic of China and the North Korean authorities; for the text of the resolution, see page 1988.

On the evening of May 18, Assistant Secretary Rusk and Ambassador John Foster Dulles, Consultant to the Secretary, discussed Sino-American relations in addresses before the China Institute in America in New York City. Rusk stated in part:

> "We do not recognize the authorities in Peiping for what they pretend to be. The Peiping regime may be a colonial Russian govern-

ment—a Slavic Manchukuo on a larger scale. It is not the Government of China. It does not pass the first test. It is not Chinese.

"It is not entitled to speak for China in the community of nations. It is entitled only to the fruits of its own conduct—the fruits of aggression upon which it is now willfully, openly, and senselessly embarked.

"We recognize the National Government of the Republic of China, even though the territory under its control is severely restricted. We believe it more authentically represents the views of the great body of the people of China, particularly their historic demand for independence from foreign control. That Government will continue to receive important aid and assistance from the United States. Under the circumstances, however, such aid in itself cannot be decisive to the future of China. The decision and the effort are for the Chinese people, pooling their efforts, wherever they are, in behalf of China.

"If the Chinese people decide for freedom, they shall find friends among all the peoples of the earth who have known and love freedom. They shall find added strength from those who refuse to believe that China is fated to become a land of tyranny and aggression and who expect China to fulfill the promise of its great past."

The texts of both addresses may be found in the Department of State *Bulletin*, May 28, 1951, pages 843–848.

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Secretary's Memoranda: Lot 53 D 444

## *Memorandum of Conversation With the President, by the Secretary of State*

CONFIDENTIAL [WASHINGTON,] May 21, 1951.

### MR. RUSK'S SPEECH

I went over with the President the speech made last Friday by Assistant Secretary Rusk, pointing out to him in detail that Mr. Rusk had not suggested or in any way made any change in policy, but had merely repeated what had been said by both the President and me many times in the past. The attention given to this speech and the implications sought to be drawn from it were the product of the present investigation on the Hill.

We agreed that Mr. McDermott[1] would handle the matter informally with the press here[2] and that the President and I would merely say that we had nothing to add to what had already been said.

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[1] Michael J. McDermott, Special Assistant to the Secretary of State for Press Relations.

[2] For the text of a statement made by McDermott on May 21, see the Department of State *Bulletin*, May 28, 1951, p. 848.

110.15 RU/5-2151 : Telegram

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET PRIORITY LONDON, May 21, 1951—3 p. m.

6045. Embtel 6044, May 21.[1] Response urgent inquiry from Scott, FonOff, EmbOff has stated Emb without background or prior notification Secy Rusk's speech at Waldorf May 18 and therefore in no position comment.

Scott volunteered he had been attempting lessen shock of speech by taking position it was likely reflection distorted situation now prevailing in Wash. Nevertheless, he was apprehensive regarding reaction govt here, and feared speech might hinder Brit support any proposals further action in AMC. He also concerned lest speech "put spanner in works" of Jap peace treaty negotiations. He had hoped prevent airing of any major differences on subject Formosa at least until after conclusion of treaty.

Emb wld appreciate receiving soonest any background info which wld serve as guidance in dealing with this question.[2]

GIFFORD

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[1] The reference telegram, not printed, summarized a "long and bitterly critical" article in the London *Times* concerning Rusk's speech of May 18.

[2] Telegram 5405 to London, May 22, 1951, read in part: "You shld emphasize speech contained no modification nor change in policy. It was slanted in part for use in psychological warfare within China which may in part explain distortion achieved by certain extracts lifted out of context" (110.15 RU/5-1151).

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INR-NIE Files

## *Special Intelligence Estimate*

TOP SECRET WASHINGTON, May 22, 1951.

SE-5

### VULNERABILITIES OF COMMUNIST CHINA [1]

#### THE PROBLEM

To examine the prospects of effective opposition to the Chinese Communist regime under varying circumstances of covert or overt

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[1] According to a note on the cover sheet, "The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred generally in this estimate on 18 May. Dissents from specific portions of it are noted as follows:

"The Special Assistant, Intelligence, Department of State, at page 3." [See paragraph 3]

"The chiefs of the intelligence organizations of the Departments of the Army, the Navy, the Air Force, and the Joint Staff, at page 7." [See paragraph 15]

US support, and to estimate the international reaction to these courses of action.

### ASSUMPTION

Indefinite continuation of indecisive warfare in Korea.

### ESTIMATE

1. It is estimated that there are approximately 600,000 anti-Communist guerrillas in China. About 300,000 of these are estimated to be under loose Nationalist control. The remainder consists of traditional bandit and war-lord groups who have always fought against the ruling authorities and whose activities are now directed against the Communists as the ruling authority and of some non-Nationalist anti-Communist groups. The guerrillas are virtually uncoordinated, are poorly supplied, and operate in small bands. If well supplied and coordinated, those guerrillas who are strongly anti-Communist could form the core of a potentially effective resistance movement.

2. Covert US logistical support would substantially increase the capabilities of non-Nationalist and Nationalist resistance forces on the mainland, but not to the extent of posing a serious threat to the Chinese Communist regime or of precipitating full-scale civil war. Despite the size and strength of Communist security forces and the difficulties of supplying and organizing the widely-scattered and politically divergent resistance groups, covert US support would probably: (*a*) increase the obstacles to further consolidation of Communist control over all of China, particularly in south-central China; (*b*) divert more of the regime's resources to the maintenance of internal security; (*c*) harass vital north-south lines of communication; and (*d*) somewhat weaken Communist military capabilities.

3. The opposition between the Nationalist and non-Nationalist guerrilla forces presents difficulties to the achievement of these objectives. Some non-Nationalist opposition groups might not cooperate in a resistance effort which was under Nationalist auspices, but an alternative leader capable of arousing all anti-Communist elements has not yet emerged. It would, therefore, be hard to build up an effective guerrilla resistance movement on the mainland without the collaboration of the Nationalists in Taiwan. Support for the anti-Communist, non-Nationalist resistance units would be difficult because these groups do not possess a secure base of operations. Opposition between Nationalist and non-Nationalist forces is not likely to become acute unless guerrilla activity grew to proportions of a full-scale civil war.*

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*The Special Assistant, Intelligence, Department of State, believes that opposition between Nationalist and non-Nationalist leaders is, in some instances, already acute, and therefore the text tends unduly to minimize the very real difficulties presented by the lack of unity of anti-Communist guerrilla forces. [Footnote in the source text.]

4. Presently contemplated US aid, provided restrictions on Nationalist operations against the mainland were removed, would increase Nationalist capability for commando operations on the mainland, but would not enable the Nationalists to conduct sustained or large-scale military operations on the mainland. Such raids would probably result in the Communists' diverting additional forces, possibly as many as 200,000, to the coastal areas opposite Taiwan and would encourage anti-Communist movements throughout China. A diversion of this sort would lessen Chinese Communist capabilities for operations elsewhere.

5. Excluding the element of Soviet participation, we believe US logistic but not operational support to the Nationalists on Taiwan, if expanded so as to provide matériel needed for the ground, air and naval forces, would probably, after the minimum period of time required to train the Nationalists, enable them to establish a sizeable bridgehead in South China without further US participation. Whether or not a bridgehead could be consolidated and expanded into a successful invasion would depend to a great degree on the reliability of the Nationalist armies and on the Nationalists' ability to organize, train, and equip sizeable forces on the mainland. A consolidated bridgehead or a successful invasion would relieve Chinese Communist pressure against Southeast Asia, would weaken Communist internal controls, and probably would force the Chinese Communists to reduce their effort in Korea.

6. Excluding the element of Soviet participation, we believe that a Chinese Nationalist invasion of the mainland with full US logistical and operational support, excluding only the commitment of US ground troops, but including intensive and sustained air attacks by US forces against selected vital targets and a maximum naval blockade and bombardment of the China coast, would have the following effects on the Chinese Communists: (*a*) their war-making capabilities would be drastically and immediately reduced; (*b*) their lines of communication and the importation of needed supplies and war materials would be severly disrupted; (*c*) the industrial segment of their economy would become progressively paralyzed; and (*d*) their administrative control of China would be severely strained. We believe further that the coordinated Nationalist-US operations might imperil the stability of the Chinese Communist regime.

7. Although considerable discontent exists in Communist China, most opposition is passive. Any increase in the activities of anti-Communist forces might gain the sympathy of many of the discontented, but such forces would have to offer the promise of success to enlist active support of large groups. It would appear that, while there are still strong anti-Nationalist feelings among elements of the

population, the initial acceptance and popularity of the Communist regime have generally waned and, in some areas, have turned to grudging tolerance and dislike as a result of the police-state methods of the Chinese Communists and their failure to improve the living standards of most elements of the population. These police state methods have, on the other hand, eliminated hundreds of thousands of persons suspected of actual or potential anti-Communist activities.

8. In the event of a Nationalist landing on the mainland with US logistical support to the Nationalists on Taiwan, but without further US participation, there would be a "wait and see" attitude among the general populace. They would wait, on the one hand, to measure the potentialities and conduct of the Nationalist forces and, on the other, to judge the nature and extent of Chinese Communists reprisal measures. In short, the more successful the invasion operation, the wider would be the popular support, although the residuum of anti-Kuomintang sentiment may retard the growth of such support.

9. An invasion with full US operational support, particularly the bombing of mainland targets, would tend to stimulate anti-US sentiment among mainland Chinese. The intensity of this reaction might be diminished by US propaganda preceding and accompanying the invasion, especially if supported by military success.

10. The UN would be extremely unlikely to support a Nationalist invasion of the mainland, bombing of Chinese territory, or a naval blockade unless there were new provocative actions by the USSR or by its Satellites, including the Chinese Communists. Should the US undertake such measures without UN approval, a crisis in the UN probably would result. The gravity of this crisis and its outcome cannot be estimated within the scope of this paper.

11. The governments of the Philippines and South Korea would not object to an invasion of the mainland by the Chinese Nationalists with US logistical and/or operational support. Japan would be concerned unless given US guarantees which it considered adequate. The governments of India, Indonesia, and Burma could be expected to condemn any overt action against the Chinese Communist regime. In the present confusion of anti-Communist and anti-imperialist sentiment in Asia, it is unlikely that the other states of the area would take a firm stand at the outset. Successful invasion of the mainland would undoubtedly strengthen anti-Communist forces in Asia.

12. The Western Powers, notably Britain and France, wish the US to avoid involvement in any form in China. They probably would contend that US covert activities would not appreciably affect Chinese Communist capabilities, but, nevertheless, would reduce the

chances of confining hostilities to the Korean theater. The British, French, and probably other NATO governments would strongly oppose US logistical support of a Chinese Nationalist invasion on the grounds that it would diminish US military aid to Western Europe and would increase the risk of precipitating general war. If the US should provide full logistic and operational support of such an invasion, we believe that a crisis in the relations of the US with Western Europe would result; the gravity of the crisis and its outcome cannot be estimated within the scope of this paper.

13. In the event of US military involvement in China, the USSR would seek to exploit internationally to the fullest extent the issue of aggression and the danger of global war. We believe that it puts great store by its political and psychological potential and would strive to divide us internally, estrange us from our allies, promote fear and neutralism, and discredit our leadership and desire for peace. The extent and nature of the USSR's military reactions in the Far East as discussed in the following paragraphs would, at each stage, undoubtedly be coordinated with its program of international political and psychological exploitation.

14. If the US should give covert aid to Chinese guerrillas, or if the US should give logistical support on Taiwan sufficient to enable the Chinese Nationalists to invade the mainland, we believe the USSR would give increased aid to the Chinese Communists designed to counter the effects of such US aid. Since US forces would not be involved in an invasion of the mainland supported logistically from Taiwan, the USSR might conclude that its own air and submarine forces could be used to counter the invasion without serious risk of a conflict with the US.

15. Full US logistical and operational support of a Chinese Nationalist invasion of the mainland would almost certainly be regarded by the USSR as a serious threat to its security interests in the Far East. Although we are unable, on the basis of intelligence, to determine what measures the USSR would take to meet such a threat, we believe that the USSR would take steps which would increase the risk of general war. So long as the Kremlin estimated that the existence of the Chinese Communist regime was not in jeopardy, we believe that the USSR, while giving all necessary support against the invasion, probably would not openly commit its own forces against US forces. If, however, the Kremlin estimated that the existence of the regime was in jeopardy, we believe that the USSR, whatever the consequent risks of general war, would do whatever was required to uphold the

Chinese Communist regime, including, as a last resort, the open commitment of Soviet forces against US forces.†

16. The USSR may well consider it unnecessary to formalize or acknowledge its support of the Chinese Communist regime. However, in view of Soviet security sensibilities and the definiteness of Moscow's published commitments to Peiping, formal Soviet support of Communist China under terms of the Sino-Soviet pact must be considered a distinct possibility. In any event, if the Soviet Union did provide major overt support to the Chinese Communists, it probably would cite the provisions of the Sino-Soviet Treaty in an effort to justify its actions before world opinion.

17. In view of the expressed US desire to avoid a general war, and of the opposition of the Western European powers to the expansion of any Far Eastern conflict into general war, the Kremlin might estimate that a US–USSR conflict starting in China could be localized in the Far East. On the other hand, the possibility cannot be disregarded that the USSR might be willing, or even might desire, to have a Far Eastern conflict expanded into a general war between the US and the USSR, leaving to the US the responsibility for initiating such a war and thereby exposing the US to the risk of losing its most important allies. Indeed, at every stage from the extension of covert aid to the initiation of local or general hostilities, the USSR would probably seek to force the US to take the initiative, and thereby to incur the onus of "aggression."

18. We are unable, on the basis of present intelligence, to determine whether the Kremlin would be in fact willing to have a Far Eastern conflict expanded into a general war between the US and the USSR. In making its decision, the Kremlin would undoubtedly take into consideration the global power situation (including atomic capabilities). We believe it unlikely that the Kremlin would be willing to have a Far Eastern conflict expanded into a general war with the US unless

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†It is the view of the Assistant Chief of Staff, G–2, GSUSA; the Director of Naval Intelligence; the Director of Intelligence, US Air Force; and the Deputy Director for Intelligence, Joint Staff, that paragraph 15 should read as follows:

"15. Full US logistical and operational support of a Chinese Nationalist invasion of the mainland would almost certainly be regarded by the USSR as a serious threat to its security interests in the Far East. Although we are unable, on the basis of intelligence, to determine what measures the USSR would take to meet such a threat, we believe that the USSR would take steps which would increase the risk of general war. So long as the Kremlin estimated that the existence of the Chinese Communist regime was not in jeopardy, we believe that the USSR, while giving support against the invasion, probably would not openly commit its own forces against US forces. If, however, the Kremlin estimated that the existence of the regime was in jeopardy, there is a serious possibility that the Kremlin would openly commit Soviet forces against US forces actively engaged in operational support of the invasion. We believe, however, that the Kremlin probably would not deliberately initiate a general war for the sole reason that its security interests in the Far East were thus threatened." [Footnote in the source text.]

it estimated that the USSR possessed a clear margin of superiority, or unless it estimated that delay would tip the scales of power irretrievably against the USSR.

## Appendix A

## VULNERABILITIES OF CHINESE COMMUNIST REGIME TO MILITARY ACTION

1. *General.* Several factors condition the vulnerability of the Chinese Communist regime to military action. Some of these are basic to China regardless of the regime in power. The internal transportation system is inadequate and there is consequently a tendency toward autonomous economic, social, political, and military regions. The low level of industrialization has forced China to depend on outside sources for all but the small and simple types of military equipment. The enormous population can provide an almost inexhaustible supply of untrained military manpower, but the general economic and administrative development of the country is so backward that neither the Nationalists nor the Communists have been able effectively to exploit China's full manpower resources for military purposes. The almost complete lack of steel facilities and indigenous petroleum resources and the small output of the steel industry force China to rely on foreign sources for the support of its military establishment.

2. Other factors conditioning Chinese Communist vulnerability to military action are peculiar to the Communist regime's present situation. The most important of these is the war in Korea, which has diverted a major part of Communist China's military, transportation, and economic resources to meet the requirements of this large-scale operation. This in turn has prevented the Communists from carrying out their program of economic reconstruction and development. It has also undoubtedly delayed the complete consolidation of control over China proper, particularly in the areas of South China which were last to be "liberated" and which are most vulnerable to guerrilla attack and amphibious invasion. Finally, there have been indications of a growing dissatisfaction with the Communist regime. This dissatisfaction, although presently not serious enough to constitute a real danger to the regime's control, represents a potential source of support to an effectively organized opposition movement.

3. *Guerrilla Attacks.* The "newly liberated" areas of Southeast, South, and Southwest China are especially suitable for anti-Communist guerrilla operations. The population has been traditionally hostile to central authority from outside these areas. The Communist regime has not yet been able to implement its rural-control mechanisms and to consolidate its position in these areas. Inter-regional transportation

bottlenecks in South China and its mountainous terrain are additional factors which make this section particularly vulnerable to guerrilla operations.

4. *Air Attack.* Communist China's electric power plants, petroleum refining and storage facilities, and iron and steel and munitions industries are few in number and are principally concentrated in North China and Manchuria. They are all within medium bomber range of Taiwan, Okinawa, Japan and Luzon. Over 90 percent of these targets are within range of carrier-based aircraft. Thus, these installations are particularly vulnerable to air attack. Because China must import such critical items as petroleum, tanks, motor vehicles, heavy weapons, and aircraft, the weak and tenuous lines of communication are key targets for air attack or sabotage. The only available rail line capable of moving heavy equipment from Manchuria to China runs from Chinhsien to Tientsin along the coast and is vulnerable to naval bombardment as well as air attack.

5. *Naval Blockade.* China's economy is essentially rural and could function, albeit at a low level of subsistence, without foreign trade. For POL, military equipment and supplies, and certain semi-processed raw materials and machine tools necessary for the support of key industries, the Communist regime is largely dependent on foreign sources. China is also dependent on exports for obtaining needed foreign exchange. Moreover, a large portion of domestic commerce is carried in coastal vessels. China's present vulnerability to a naval blockade is consequently high. A blockade would require Communist China to rely on the USSR for virtually all its import requirements and would restrict all shipments from the USSR to the already-burdened rail and road systems in the Soviet Far East and China.

6. *Invasion.* The large-scale movement of trained Chinese Communist troops from China proper to Manchuria and Korea has weakened the ability of the Peiping regime to defend its coastal areas from invasion. The South China coast is particularly vulnerable because of its proximity to Taiwan and because Communist control is weaker in this area than in any other part of China. Recognizing the potential danger of an invasion, the Chinese Communists have attempted to compensate for the withdrawal of troops by urgent precautions to strengthen the coastal defense installations in the south.

## Appendix B

## STRENGTH OF NON-COMMUNIST ELEMENTS ON THE MAINLAND

1. Between 600,000 and 650,000 Chinese on the mainland are believed to be active in organized or semi-organized groups opposing

the Communist regime. About half of this number are estimated to be under loose Nationalist control. The remainder consists of traditional bandit and war-lord groups who have always fought against the ruling authorities and whose activities are now directed against the Communists as the ruling authority and of some non-Nationalist anti-Communist groups.

2. By far the greater proportion of these dissidents are south of the Yangtze; most of them in the southeastern provinces of China (see Map).[3] There are perhaps 100,000 men in the various Nationalist-oriented guerrilla bands in the coastal Provinces south of Shanghai. Guerrilla forces in the mountainous interior are largely independent, but may be considered as a Nationalist potential. On the northwest perimeter of China proper, among the minority peoples mainly of the Moslem faith, there appears to be some guerrilla activity. Although far from contact with the Nationalist Government and anti-Chinese in feeling, these guerrillas might become part of the Nationalist potential if given guarantees as to their future autonomy and adequate support.

3. The resistance movement on the mainland now consists of virtually uncoordinated, dispersed, and very poorly supplied bands. The largest known groups consist of about 3,000 men. Even those who are claimed to be under Nationalist control are frequently without effective communications; moreover, rivalry exists among Nationalist governmental groups and officials on Taiwan for the allegiance of guerrilla forces. Despite the Communist campaign against the guerrillas during late summer of 1950 and the ensuing winter, activity by resistance forces, particularly in Kwantung and Kwangsi, is continuing and may actually have expanded. A substantial part of these guerrilla units is probably motivated by strong anti-Communist feeling and could form the core of a potentially effective resistance movement.

4. At the present time, there is no organized anti-Communist, non-Nationalist political resistance movement on the mainland or in Hong Kong. There are a number of small, uncoordinated groups of such dissidents, but they have no leader of sufficient stature to head an effective movement. The bandit and war-lord forces which are harassing the Communist regime could not be expected to give firm support to an organized anti-Communist movement except on terms advantageous to them.

5. The effectiveness of the guerrillas could be greatly increased by better supply and more competent organization, even though no new recruits were gained. If supply and organization were improved,

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[3] Not reproduced.

however, new recruits would in fact be added. Numbers would probably not grow much beyond 1,000,000 unless a substantial area of the mainland were secured by anti-Communist forces. At that time defections from the Communist ranks could be expected.

6. Under present conditions, there is little or no prospect for bringing about significant defections from either the Chinese Communist Party or Army. The Communist regime has thus far been able to control any dissident movement. Nevertheless, defections could be expected after the commencement of large-scale guerrilla or military operations on the mainland. The number of defectors would depend largely on the prospects of the insurrectionary movement's success. If an area on the mainland had been made secure, defections could probably be stimulated by the use of the traditional "silver bullet" approach.

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611.93B/5-2451

## *The Chargé in India (Steere) to the Department of State*

SECRET NEW DELHI, May 24, 1951.

No. 2891

Subject: Relations Between the United States and Tibet

I have the honor to enclose a summary, as well as memoranda of conversation,[1] regarding relations between the United States and Tibet, which resulted from a visit recently made by an Embassy officer[2] to Kalimpong in West Bengal.

Although I realized that the Consulate General in Calcutta has been able to maintain association with Tibetan authorities from time to time, the Embassy's direct knowledge of developments in Tibet and acquaintance with Tibetan authorities has been limited in recent months because of the Communist Chinese invasion of Tibet and because Tibetan representatives now refrain from visiting New Delhi for fear of becoming entangled with the Communist Chinese Ambassador here. In order to re-establish our relations with Tibetan officials and to clear up a number of outstanding questions, such as the export of Tibetan wool to the United States and the purchase of gold by Pangdatshang,[3] I considered it advisable to dispatch an officer from the Embassy to Kalimpong. Such visit would also provide an opportunity to counteract recent reports which indicated that important Tibetans were of the belief that the United States had no interest in their welfare and therefore the Tibetans had no recourse but to accept the demands of Communist China.

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[1] The enclosures are not printed.

[2] Fraser Wilkins, First Secretary of Embassy in New Delhi.

[3] Yangpel Pangdatshang was endeavoring to purchase gold on behalf of the Tibetan Government.

It is believed that the Department will find the enclosed summary and memoranda of conversation of great interest. It is also believed that the visit of an Embassy officer to Kalimpong at this particular time has had a salutary effect on Dzasa Liushar, the Foreign Secretary, and on Yangpel Pangdatshang, the elder brother of one of the most important families of Eastern Tibet and one of Tibet's wealthy exporters of Tibetan wool.

It was discovered, for example, that while the Tibetan authorities were in the midst of discussions with the Government of India regarding the applicability of an Indian export duty on Tibetan wool, reports had been received that the United States was no longer interested in importing Tibetan wool. As the export of wool is a matter of the highest importance to the foreign trade of Tibet and one on which substantial numbers of the Tibetan people are dependent for a livelihood, the Foreign Secretary was greatly concerned. It was his belief, if the reports were true, that the American restrictions indicated, as did other things, that the United States was no longer interested in Tibet.

It was also reaffirmed that, because Tibet had received no response from the United Nations and some of its member states with respect to its appeal[4] regarding Communist China's invasion of Tibet in October 1950, the Tibetan authorities had fallen into a dejected and fatalistic frame of mind and appeared to be convinced that they would have to accede to the demands of Communist China regarding Tibet. Although precise information was difficult to obtain, it seemed likely that Communist China was insisting on control over all of Tibet. Tibet, on the other hand, appeared willing to make every concession, including such important attributes of sovereignty as defense, external affairs and communications, except autonomy for internal affairs.

According to the Foreign Secretary, the Tibetan Delegation, which recently proceeded to Peiping, was on the eve of its talks with the Communist Chinese. It was his belief that, even if the talks were to Tibet's disadvantage, Tibet would in the long run emerge unscathed. Tibet really desired its full independence and close relations with the United States. Meanwhile, it was the Foreign Secretary's hope that we would not be disheartened by little actions which they might be forced to take.

In reply to Dzasa Liushar's statements, he was immediately informed that we were not aware of any important change with respect to the import of Tibetan wool into the United States but was promised that the situation would be investigated at once. Reference is made in this connection to the Embassy's telegram 3258 of May 17, 1951,[5] in which the Foreign Secretary's remarks were reported and it was requested that the Department discuss this matter with the Department of Commerce and the Treasury Department. Since the dispatch of this information, the Embassy has learned that associates of Pangdatshang in Calcutta have received reports from American importers in Boston that Foreign Assets Control regulations have been altered and now require statements from Tibetan exporters and American importers to the effect that they have no cause to believe that specified shipments of Tibetan wool have come from those sections of Tibet which are under the control of the Chinese Communists. As this does not appear to be the case, the Tibetan wool exporters in Calcutta state that they believe Tibetan wool will continue to go forward to the United States as usual.

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[4] Tibet had appealed to the United Nations on November 13, 1950, regarding the Chinese Communist invasion but the United Nations did not discuss the question.

Meanwhile, however, the Indian export duty of 30% has so cut the margin between cost and sale price of approximately $1.00 per pound that Tibetan wool may be held up for a strictly economic reason. It is recalled, on the other hand, that the Tibetan authorities have already approached the Government of India regarding this matter and they may be able to obtain exemption or set up some form of bonding arrangement. The Embassy, for its part, plans to lend such assistance as is proper to the Tibetan authorities in achieving this objective.

The Foreign Secretary was also informed of the interest which the United States had manifested with respect to its international problems. The statements of United States interest in the continuance of Tibetan autonomy and sympathy regarding its appeal to the United Nations, based on previous instructions from the Department, were recalled and reiterated. It is believed that the Tibetan authorities appreciate the significance of these statements although, for reasons of geography and proximity to the new military power of Communist China, they feel they cannot take advantage of them and rely entirely on the United Nations at the present time.

The Embassy remembers that the Department has in the past expressed the opinion that despite the lateness of the hour it does not believe that Tibet should be lost by default. There seems little doubt that it would be most unfortunate not only for the forces of freedom but also more immediately for India if Tibet were woven into the fabric of Communist China. Remote and unimportant as Tibet may seem to the western mind, it nevertheless occupies a strategic and geographic position to the north of the Himalayas from which countries as far east as Indo China and as far west as Pakistan could become the object of Communist propaganda and infiltration. From Tibet, India—the most important country in Southeast Asia—would be constantly menaced. It therefore seems to us that we should exert every opportunity to be of assistance to Tibet. It is our belief that such assistance will be small and relatively insignificant in comparison with assistance which the United States is supplying elsewhere but that it will yield exceptional benefits. It is therefore suggested that the Department give immediate consideration to various lines of action including the following:

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[5] Not printed.

1. The removal or simplification of regulations with respect to the import of Tibetan wool into the United States.
2. Study of the possibility of whether an American market might not be developed for other Tibetan products.
3. Study of the possibility of the preclusive purchase of those strategic Tibetan products which might go to Communist China.
4. Possibility of including Tibet in present programs and proposals of economic and financial assistance for non-Communist China and South Asia.
5. Publication in proper form at a proper time of a statement by the United States Government with respect to its recognition of the autonomy of Tibet.
6. More frequent visits by American representatives to Kalimpong in India for informal liaison with the Tibetan authorities there.
7. The provision of information through USIE to the Tibetan authorities at Kalimpong and assistance to Tharchin, the proprietor of the only Tibetan newspaper.
8. The offer of educational facilities in the United States to Tibetan students.
9. Further consideration of United States willingness to supply military assistance to Tibet if Indian regulations and laws permit.
10. Further support for the Tibetan appeal to the United Nations regarding the Communist Chinese invasion of Tibet.

Subsequent discussion with Tibetan officials in Calcutta on May 24 indicates that the Tibetan-Communist Chinese talks in Peiping were on the verge of a deadlock. This discussion is the subject of an additional despatch which will also be summarized by telegram to the Department.[6]

The contents of this despatch and its enclosures have been discussed with Ambassador Henderson at Mussoorie and have his approval.

LOYD V. STEERE

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[6] See telegram 3398 from New Delhi, May 29, p. 1687.

493.009/5-2551 : Telegram

### *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

CONFIDENTIAL LONDON, May 25, 1951—6 p. m.

6169. Notwithstanding apparent concessions Brit have recently made toward US viewpoint of FE problems, notably Morrison's statement in Commons on Formosa on May 11,[1] and favorable Brit vote on strategic embargo res directed against China, Brit overall policy toward Chi remains substantially unchanged. In Emb view, concessions mentioned are rather modifications in emphasis and timing and shld not be construed as indication major shift. We believe UK was influenced by a desire to make a friendly gesture toward Truman Admin and these concessions were in large part designed to mollify Amer public opinion.

With regard to Formosa, PriMin stated in Commons on Dec 14[2] it wld be difficult reach satisfactory solution until Chi show they no longer preventing unification of Korea. In FonMin's statement in Commons on May 11 he put Formosa on ice indefinitely by pointing out Formosan question is a matter of concern to nations other than those signatory to Cairo and Potsdam. In reply to planted question, he agreed it was desirable wishes of Formosans be taken into account. These statements made in order counteract impression in US that UK insisting on handing over Formosa immed to Chi Commies.

With regard to favorable vote on embargo res, HMG attitude was motivated by 3 main considerations (1) strong feeling of Hong Kong and Singapore Govts that public gesture wld, despite fact measures contemplated by AMC were already being taken by Brit, be dangerously provocative to Chi Commies, (2) fear that proposed AMC action wld be starting point for gen econ and polit sanctions to which Brit have been and remain strongly opposed and (3) Brit had been procrastinating in order exhaust all reasonable possibility GOC might be able take effective action. This hope having been frustrated, conclusion reluctantly reached action by AMC shld be no longer delayed. However, Brit remain strongly opposed to extension of measures to include gen econ and polit sanctions.

We believe Brit will continue vote in favor Chi Commie rep in those internatl bodies competent to decide membership issue. FE polit people have come to realization their position in this respect slightly ridiculous and are trying to devise some solution to get them off the hook; but FonOff, UN and legal depts hold to opinion that, having pontificated and reiterated only proper criterion to admission UN is *de facto* control, it wld be difficult to find a convincing legal explanation for altering present position.

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[1] For the text of Morrison's statement, see *Parliamentary Debates*, House of Commons, 5th series, vol. 482, cols. 1354–1355.

[2] For the text of Prime Minister Attlee's comments regarding Formosa on December 14, 1950, see *ibid.*, vol. 487, cols. 2301–2303.

A possible solution might be return to previous position and abstain on membership question. This Brit wld be reluctant to do as it wld amount to indefinite retention in UN of reps of Nationalist Govt, a solution which they wld find incompatible with their previous and present statements and which wld be subject sharp criticism in India and other Asiatic nations.

FonOff is somewhat puzzled over statement made in Secretary's message, quoted in Deptel 4969, Apr 30,[3] to Morrison that there be a "moratorium" on this subj. What they hope the Secretary implied is for both the US and the UK to abstain from voting on question of Chi membership in pertinent internatl bodies.[4] We have distinct impression that FonOff believes it cld persuade the Cabinet to accept such a compromise solution. This wld be in line with what Emb understands FonOff prepared to agree to in connection with Jap peace treaty; FonOff believes that if US were agreeable to postponing the issue of which Chi Govt wld accede to the treaty and to permitting the Japs to make their own choice, then last major hurdle to an agreed position on Jap peace treaty wld have been successfully surmounted.

It must be remembered that this is a Labor Govt which must always bear in mind Labor opinion, which is still conditioned to considerable extent by "Socialist" ideological views on "emergence Col peoples in Asia." To date, despite growing disillusion with Commie Chi, there have been no indications of large-scale shift in Labor sentiment on FE questions.

GIFFORD

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[3] *Ante*, p. 390.

[4] Acheson explained his proposal for a "moratorium" in a message to Morrison sent to London in telegram 5480, May 25, 1951, which was sent prior to the receipt of the Embassy's telegram; for text of telegram 5480, see vol. II, p. 247. Telegram 5560 to London, May 29, 1951, commented further: "We could, of course, not agree to abstain on this matter. If suggestion is again mentioned by FonOff you shd make this clear" (493.009/5-2551).

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793B.00/5-2951 : Telegram

## *The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NIACT NEW DELHI, May 29, 1951—noon.

3398. Personal and confidential for McGhee and Mathews. Shortly after conversations at Kalimpong with Dzasa Liushar, Tibetan Foreign Secretary (Embtel 3258, May 17),[1] Tsepon Shakabpa, who claimed be personal representative Dalai Lama, and Jigme Tering[2] requested further discussions. Wilkins proceeded Calcutta May 24 this purpose. Details conversations being forwarded airpouch May 31.[3]

In brief, Shakabpa stated he personal representative Dalai Lama and had come Calcutta for purpose seeking US advice what Tibet should do when Tibetan-Communist Chinese talks at Peiping broke down. Shakabpa said Tibetan Government had received word from Tibetan delegation at Peiping that on May 13 talks "were almost at deadlock".

Shakabpa said Communist China wanted suzerainty over all Tibet "as far as Himalayas" including control defense and external affairs. Tibet would be willing concede for Inner Tibet but Dalai Lama and Tibetan Government wished autonomy for internal affairs and conduct own defense for Outer Tibet. Dalai Lama adamant in refusing concede control defense to Communist China and if forced do so either by pressure or extension present Communist Chinese military occupation would immediately leave Tibet.

Shakabpa also added that while passing through Kalimpong from Yatung to Calcutta Dzasa Liushar had shown him Ambassador's letter to Dalai Lama (Deptel 1633, April 6).[4] Foreign Secretary himself was immediately proceeding Yatung to discuss with Dalai Lama and Tibetan Cabinet. Meanwhile, Shakabpa had continued Calcutta for purpose asking number questions for which Foreign Secretary and Shakabpa needed answer. Shakabpa planned return Kalimpong immediately where he would await replies before returning Yatung. Questions follow:

(1) Should Tibet report UN when current talks break down and how should they do it? Was UN still interested in Tibet and could it be of any help? What would US do? Would it be willing grant visas?

(2) As Tibet had no official relations with Ceylon, wld US be willing approach Government Ceylon re asylum for Dalai Lama and his followers?

(3) Would US be willing grant asylum Dalai Lama and approximately 100 followers? How would he be received? As head of state? Would US be willing provide for their expense?

(4) If Dalai Lama leaves Tibet would US be willing supply Dalai Lama with military assistance and loans of money when time ripe for

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[1] Telegram 3258, not printed, reported those parts of the conversations which concerned Tibetan wool (893B.24222/5-1751); see despatch 2891, May 24, 1951, p. 1682.

[2] An associate of Shakabpa who acted as interpreter.

[3] Despatch 2615, May 26, 1951, not printed.

[4] See footnote 2, p. 1619.

purpose enabling Tibetan groups rise against Communist China invader? Money needed to encourage groups.

(5) Would US be willing establish some form representation at Kalimpong for liaison between US officials and Tibetan authorities? Shakabpa stressed necessity for representation which would be informal and covert in character.

(6) Dalai Lama wished his elder brother, Takster Rimpochi,[5] to leave Tibet and visit India. Takster's opposition to Communist China following his arrival Lhasa from Kumbum monastery has made it difficult for him remain Tibet in face possible Communist Chinese criticism. In event Takster could not remain India for similar reason, could Takster and Tibetan servant proceed US in unofficial capacity?

Shakabpa was informed Ambassador would be consulted re all questions and replies would be communicated him Kalimpong soonest.

Foregoing discussed with Ambassador Henderson at Mussoorie May 27. Embassy requests urgent instructions re replies to Shakabpa's questions. With respect replies, Embassy has following suggestions which were worked out with Ambassador and have his approval:

(1) US believes Tibet might reiterate content Tibet's previous appeals to UN, adding new developments such as Tibet's endeavor through talks Peiping to reach agreement and substance Tibetan and Communist positions. Tibet might dispatch Tibetan delegation to Lake Success with new appeal instead waiting UN invitation. US believes UN still interested and that Tibet entitled to hearing. While US was one only of many UN members it would do its best persuade other UN members consider new Tibetan appeal. US continued be willing grant visas.

(2) US considers much wiser for Dalai Lama's own representatives approach Ceylon Government in Colombo in first instance. Approach would be from one Buddhist country to another. Ceylon would probably prefer direct approach rather than indirect through US. If we approached formally, US might subsequently be charged with imperialistic plot which would embarrass Ceylon Government. If Tibetan Govt requests, US wld, however, be willing approach Ceylon Government informally re matter. US would in any event be willing approach Ceylon Government re permission for Tibetan representatives to enter and travel in Ceylon and re appointments with Ceylonese officials.

(3) US would be willing grant asylum Dalai Lama and approximately 100 followers including members families. Dalai Lama would be received as eminent religious dignitary and head autonomous state of Tibet. US unable promise pay expense but would be willing consider

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[5] Thubten Jigme Norbu, known as Taktser Rimpoche.

what assistance might be given. If Tibetans should come US, it would be advisable they live in modest and dignified fashion. US will do utmost help Tibetans solve financial problem. Tibet might, for example, hold present and future gold purchased (Embtel 3366, May 26)[6] in US instead shipping Tibet.

(4) US still prepared provide military assistance providing practicable ship Tibet without violating laws or regulations of India. US unable promise loans money in advance as would depend on situation. Although US unable now state what it might be able do in financial field for purpose indicated, US prepared take action which might be effective encouraging Tibetan regime and maintain autonomy.

(5) US willing send US officers Darjeeling and Kalimpong for frequent queries of situation but could not establish official representation for Tibet.

(6) US would be willing Takster and servant visit US if unable remain India.

In Embassy's opinion it fortunate Tibetan authorities have suggestions contained Ambassador's letter and that Foreign Secretary personally carrying Yatung for discussion with Dalai Lama and Tibetan Government. Embassy also considers highly important at this stage relations between Tibet and Communist China that US responds as affirmatively as possible to Shakabpa's questions.

Importance underlined by May 28 press reports re Sino-Tibetan agreement (Embtel 3380, May 28).[6] Embassy has no confirmation and unable estimate accuracy. Reports have thus far emanated from Peiping, Hong Kong, London and Kathmandu (Embdesp 389, 390, 391, May 29).[7] It may be reports based on agreement which Tibetan delegation at Peiping accepted and Tibetan Government considers agreement still requires approval or ratification by Dalai Lama and Tibetan Government at Yatung.

Embassy also notes Kathmandu press report re establishment new Tibetan Government at Lhasa (Embtel 3391, May 29).[6] Possibility therefore exists this government which is reported sympathetic Communist China may have been set up and itself approved agreement rather than Dalai Lama and Tibetan Government Yatung.

On May 13 Dzasa Liushar told Wilkins Tibetan delegation did not have full powers and all important points would have to be referred back to Yatung. Shakabpa also stated Dalai Lama adamant in refusing relinquish control Tibetan defense and if forced do by pressure or extension Chinese Communist military occupation Tibet, would leave Tibet.

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[6] Not printed.

[7] None printed.

Embassy therefore believes official Tibetan announcement should be awaited before accepting Peiping statement as conclusive. Meanwhile Shakabpa's questions re possible departure Dalai Lama from Tibet take on added importance and should be answered urgently. Furthermore, Embassy convinced US should demonstrate interest in Tibet in every practical political and economic way; otherwise there is little doubt Tibet will fall under complete Communist Chinese control by default.

We have not yet consulted GOI re press reports but will endeavor sound out immediately for their information from Indian representative Lhasa; also attitude GOI will take.

Steere

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893B.13/5-2651 : Telegram

*The Secretary of State to the Embassy in India*

SECRET PRIORITY WASHINGTON, May 29, 1951—7 p. m.

2015. Embtels 3258 May 17 and 3366 May 26.[1] Questions raised by Liushar and Pandatshang re Tibetan desire sell wool for export US and obtain gold were under active consideration with favorable reply probable when news recd here that Peking radio had on May 27 announced conclusion May 23 "Agreement of the Central People's Govt and the Local Govt of Tibet on Measures for the Peaceful Liberation of Tibet."[2]

Before further consideration can be given Tibetan requests relative wool and gold, we will need ascertain whether such agreement actually reached and if so what course responsible Tibetan auths propose take re its acceptance and implementation. Pls sound out Liushar or other Tibetan officials Kalimpong and report results.

Acheson

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[1] Neither printed.

[2] The text of the agreement, signed at Peking on May 23, 1951, may be found in *Documents on International Affairs, 1951*, issued under the auspices of the Royal Institute of International Affairs (London: Oxford University Press, 1954), pp. 577–579.

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693.93B/5-3151 : Telegram

*The Ambassador in India (Henderson) to the Secretary of State*

SECRET NEW DELHI, May 31, 1951—6 p. m.

3433. Interview with Bajpai yesterday was requested by Steere to ascertain GOI info and attitudes Indo-Tibetan agreement.

Bajpai stated text agreement just recd from Panikkar agreed with press version in all substantial respects. Panikkar had commented very briefly, emphasizing that agreement provided for trade and friendly relations with neighboring countries. Bajpai intimated that Panikkar had failed to secure any info during course of negots, and Steere gained impression GOI taken by surprise at extent Tibetan capitulation.

Bajpai endeavored gloss over fact GOI disappointed at Tibetan failure secure better terms and gave unmistakable indication that GOI feels helpless in face this development and is likely accept it without protest. He said India was heir to Brit policy which had sought achieve buffer state in Tibet against Russia and Chi. GOI however was not disposed create or support buffer states. GOI however states throughout centuries Chi influence and control in Tibet had fluctuated with strength of regime in power. Weak Chi govts lost nearly all influence, strong govts regained it. "It was inevitable that present Chi govt shld gain control of Tibet, and there was nothing that GOI could do about it".

Steere pointed out that announced GOI attitude was same as Brit had been; namely, recognition of Chi suzerainty but with autonomy for Tibet, and that GOI had maintained rep in Tibetan capital. He asked what attitude of GOI toward question wld be in case Dalai Lama shld refuse approve agreement. Bajpai seemed surprised and said GOI wld have consider what attitude it wld then adopt.

Bajpai said he had impression from Tibetan del when in Delhi enroute Peking that it had full power, but he did not seem positive. He added del had requested Indian dipl support in negots; GOI had promised do what it could, but Tibetan del as far as he knew, had never come near Indian Emb Peking. Steere remarked this was not surprising.

Bajpai was asked whether developments wld not affect India's position such countries as Nepal, Bhutan, Burma, Korea. He admitted it wld, but that GOI had not had time fully consider these matters. He then volunteered in confidence info that mil comite had been estab to survey problem of defense northeastern and eastern borders fol Chi Commie invasion of Tibet last autumn. Comite had recently reported. Recommendations, which GOI was going implement, wld involve strengthening border posts, improvement communications, particularly roads, and efforts improve condition and morale of area inhabitants who had always been neglected. He added, however, that India was not a power in mil sense and there were definite limits to what she could do. He said GOI for example felt it could be of little assistance militarily to Burma; nor could Burma help India. GOI and Burmese Govts, however, both doubted that Chi Commies wld invade Burma in foreseeable future.

Question was asked whether Sinha[1] had reported anything from Lhasa about arrival there eight weeks ago of Chi rep with mil escort as reported by press from Kathmandu quoting Nepalese FonOff sources. Bajpai replied Sinha had reported nothing that nature and he considered info false.

Steere asked what GOI intended do re rep in Lhasa and mil mission Gyantse. Bajpai said "absolutely nothing". Next move was up to Chi Commies, who had been informed months ago GOI wished keep both missions there.

HENDERSON

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[1] S. Sinha, Officer in Charge of the Indian Mission at Lhasa.

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793B.00/5–2951 : Telegram

## *The Secretary of State to the Embassy in India*

TOP SECRET PRIORITY WASHINGTON, June 2, 1951—8 p. m.

2051. Re Embtel 3398 May 29 Dept reserves final judgment in absence conclusive info re alleged Tibetan-Chi agreement, re position Lhassan delegation Peiping, re attitude Tibetan Govt Yatung and re situation Lhasa. Questions wld undoubtedly be more difficult of solution if situation has developed as far as indicated in Kathmandu press report, than if infiltration has been prevented and resistance can still be undertaken at borders Outer Tibet.

Note NCNA version of "Agreement" attributes full powers to signatory Lhassan delegation. Pls ascertain priority whether Tibetan reps consider that negots Peiping actually broke down and whether "agreement" reported by NCNA was obtained through threat personal violence against persons Lhassan delegation or was perhaps arbitrary unilateral announcement by Peiping regime. Report priority results ur further check with GOI re polit and mil situation Lhasa, but check also further their reports re situation Peiping and their reaction *Pravda* charge May 30 that Britain "unlawfully" took Bhutan and Sikkim from Tibet 1890. Is there chance GOI wld now take initiative and support Tibet case in UN?

Dept believes Tibet shld not be compelled by duress accept violation its autonomy and that Tibetan people shld enjoy certain rights self-determination, commensurate with autonomy Tibet has maintained since Chi revolution. Dept believes further that cause world peace wld be served if gen support cld be mustered for this point of view, and agrees with Emb that US itself shld demonstrate its interest in case in every practical polit and econ way. Assuming Peiping terms inacceptable established Tibetan Govt and combined polit and mil pressure may be exerted on Tibet, Dept accepts Emb suggestions contained reftel, subj gen proviso US is not assuming responsibility guidance Tibetan Govt, with fol qualifications (using Embtel numbering):

1) US believes that when complaint is made to UN, there shld be opportunity have it heard and considered in proper UN forum. US has not however been chief moving party in every case, and degree US initiative necessarily has taken into account attitude other UN members and their special relation to issue raised. In this case GOI interests particularly involved. While US willing support consideration new Tibetan appeal, US believes attitude other UN members important factor in situation. Tibet might wish consider setting forth in new msg to UN SYG circumstances negots Peiping and nature Commie threat re Tibet. US believes new Tibetan appeal to UN, followed promptly by Tibetan efforts interest other leading States such as UK, India, Pakistan, France, USSR in support wld probably be more fruitful approach than first sending del to UN (this especially in view importance time element). If Tibet cld mobilize some influential world opinion in support its case, this might create polit environment favoring UN consideration. US wld agree issue visas to Tibetan Del to UN. Whether and when Tibetan Del might undertake travel UN is for them determine.

2) Agree *in toto.*

3) US unable commit itself to providing for expenses Dalai Lama and retinue. Note precedents such as Tsarist refugees and, more recently, Chi Vice President Li Tsung-jen, all of whom unsupported by US. Note Tibetan Govt by all reports possesses much treasure including gold and silver. We assume those assets ample for purpose and Dalai Lama himself wld arrange to evac from Tibet such treasure as required for support his Govt in exile. Omit in ur reply any suggestion US willing consider what financial assistance cld be given or that US wld "do utmost help Tibetans solve financial problems", but suggest Dalai Lama wld probably best be able serve cause Tibetan freedom if he remained nearby as in India or Ceylon.

4) US prepared provide limited assistance in terms light arms depending upon polit and mil developments in Tibet proper, and depending also on whether GOI attitude wld make such supply feasible. US Govt feels aid cld effectively be given only while there may be within Tibet polit and mil forces willing and able resist, that complete collapse within Tibet and offering of polit campaign from outside wld render undertaking probably fruitless. Strong stand by Tibetan Govt against any clear aggression wld encourage world support for its position, whereas surrender in Outer Tibet wld almost certainly be followed by collapse interest elsewhere. US unwilling commit itself to support any such undertaking from outside, but if resistance is

maintained in Tibet from beginning wld contribute insofar as attitude GOI makes it possible. Have Tibetans recently approached GOI re providing arms or permitting shipment through India and if so with what results?

5) US willing have informal contact at Darjeeling and Kalimpong when useful. Such contact wld of course have no representative character in absence US official relations with Tibet.

6) Visitors visas cld probably be arranged for Takster and servant proceed US if unable remain India or Ceylon (either of which wld be preferable politically), FYI it being assumed he wld of course himself bear all expenses.

Dept agrees it important at this stage particularly that US respond in cooperative manner Shakabpa's questions. Pls evince that sympathetic attitude, indicating US Govt prepared do everything feasible assist Tibet maintain autonomy, but note high importance which position GOI bears re developments.

Tibetans themselves will appreciate high desirability, in view historical and actual polit relations, that if possible Tibet enlist support GOI. US under no illusions that current attitude GOI is more sympathetic to Tibet cause than shown by actions to date. Dept does not propose Tibetans approach GOI or accept GOI opinion against better judgment. US itself wld be guided by own judgment re situation and possibilities, is sympathetic to Tibetan cause as indicated above but wld merely note ineluctable fact India by reasons of traditional relationships and geographic position plays very important role. Tibetans shld be under no illusions likewise that mil assistance can be obtained for them through UN action. Tibetans must necessarily be guided by consideration all factors and by their interests as autonomous people.

FYI although considering resistance wld bear promise of fruits only if Tibetan polit organization can be caused make stand in Outer Tibet, believe it important Dalai Lama not let himself come under control Peiping. US is sympathetic to Tibetan position and will assist insofar as practicable but can help only if Tibetans themselves make real effort and take firm stand.

Pls report all pertinent developments urgently.

ACHESON

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**793B.00/6–351: Telegram**

*The Ambassador in India (Henderson) to the Secretary of State*

TOP SECRET PRIORITY NEW DELHI, June 3, 1951—4 p. m.

3483. 1. Although GOI surprised and apparently somewhat shocked at stiff conditions which, according to announcements from Peiping, Communist China had imposed in Sino-Tibetan agreement, indications now are that it is inclined adopt attitude philosophic acquiescence. According to members UK HICOM who have discussed matter with responsible Indian officials latter inclined rationalize that in view historic and present friendship between India and China, Communist Chinese political and military control Tibet not likely have adverse effect on security India.

2. UK HICOM considering advisability suggesting Foreign Office authorize it urge GOI not remain passive in matter which involves danger for SOA. Members UK HICOM would like be able argue with Indian officials that if GOI bow Communist China "blackmail" re Tibet, India will eventually be confronted with similar blackmail not only re Burma but re such areas as Assam, Bhutan, Sikkim, Kashmir, Nepal.

3. UK HICOM has not suggested we join in any approach GOI and we doubt advisability our doing so this juncture. GOI might consider such approach by us motivated by desire use Tibet to drive wedge between Delhi and Peiping rather than by considerations of danger to SOA inherent in movement Chinese Communist armed forces to India's northeast frontiers. GOI might not be so suspicious of approach by UK in view latter's efforts during last eighteen months to propitiate Communist China.

4. Question arises whether US should make any overt move this juncture when attitude Dalai Lama towards agreement announced by Peiping not yet clear. Neither Dalai Lama nor any responsible member or representative Tibetan Government has indicated acceptance or approval alleged agreement; we believe Dalai Lama and his advisers still in state indecision as to what they should do. It looks like Peiping exerted pressure on members Tibetan delegation to obtain agreement and now trying through pressure prevail on Dalai Lama accept. So long as Tibet Government remains silent it is difficult for US denounce agreement as effort deprive Tibet its autonomy by pressure and threat of force. In case Tibetan Government should announce refusal accept agreement we believe US should be prepared issue sharp statement denouncing Peiping machinations to force Tibetans under duress to abandon their long established rights to autonomy. Such announcement should, of course, be couched in such terms as not give undue offense to non-Communist China by questioning Chinese sovereignty over Tibet. In meantime we think it might be helpful if at press conference spokesman for Department in response to query could say Department not prepared comment on alleged agreement between Communist China and Tibet since only information re conclusion such agreement has come from Communist Chinese sources and it is by no means certain

autonomous government Tibet has agreed treaty of character described by Peiping.

5. We wld like at earliest possible moment have further discussion with Shakabpa but cannot do so without being able make some kind replies his various questions (Embtel 3398, May 29). We realize these questions involve matters much delicacy and cannot be answered without careful consideration all ramifications. Nevertheless our ability answer some of them early date might affect decision Dalai Lama as to future relations Communist China. Indeed possible he might be postponing decision pending receipt replies from US.

HENDERSON

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S/P Files: Lot 64 D 563

## *Memorandum by Charles Burton Marshall to Kenneth C. Krentz of the Policy Planning Staff* [1]

TOP SECRET [WASHINGTON,] June 4, 1951.

1. While in the Far East I held many dozens of conversations on Chinese problems with a wide variety of individuals. I generally kept full notes. I have written up the principal ones to keep my memory refreshed. Attached are copies of the memorandums.[2] These are not broken down and analyzed. They are placed and numbered in order of occurrence. They cover several topics, given below along with the relevant portions of the memorandums:

*a.* The covert mission regarding communication with Peiping—

Enclosures 1, 2, 4, and 12.

[Here follow the other topics on which Marshall had gathered information, with citations to the numbered enclosures.]

2. In summary and conclusion, I set forth the following in relation to the first four of the above topics:

*a.* As to the covert mission—

Two contacts were attempted. I assume the word got through.

The results, as regards response, up to now appear negative.

The whole idea is probably worth while with a view to advantages which might accrue in event of war even though the immediate results are not apparent.

*b.* As to conditions on the mainland.

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[1] According to a distribution list attached to another copy of the source text, copies were sent to Matthews, Rusk, Reinhardt, Hickerson, and Fisher Howe, Deputy Special Assistant to the Secretary of State for Intelligence (S/P Files: Lot 64 D 563: C. B. Marshall File).

[2] Enclosures 1, 2, 4, and 12 consisted of Marshall's memoranda of conversations of May 4, 7, 9, and 17, pp. 1652, 1653, 1655, and 1667. The other enclosures, consisting of 15 memoranda by Marshall of conversations between May 9 and 28, are not printed.

The effects of the war up to now fall far short of being decisively hurtful to the Communists.

To the contrary their hold on the mainland is apparently strengthened; the war has enabled them to push ahead with their penetration and their system of totalitarian controls.

No weakening of, or break within, the regime is in sight.

The regime is thoroughly locked into collaboration with Moscow.

Terror and resentment among the population cannot be articulated and organized into effective resistance without intervention from the outside.

In this situation of frustrated opposition to the regime, Chiang Kaishek's standing with the people on the mainland has improved. It is much better now than many of us have tended to think.

*c.* As to the Formosa situation—

The situation is apparently improving.

Formosa constitutes our main tangible asset in respect to the Chinese problem.

*d.* As to the third force—

So far it does not amount to much. It consists mostly of petty politicking among inconsequential people. Hong Kong is not a good base for it.

Its base should be set up elsewhere—probably Manila.

Its foundation should be established among the overseas Chinese of Southeast Asia rather than among refugee characters.

A conference here in Washington, to be held soon, for the purpose of getting all agencies to take a new look at the third force and working out a better understanding of aims and methods as between Washington and the field would probably be helpful.

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793.00/6–451

### *Memorandum by Richard E. Johnson of the Office of Chinese Affairs to the Director of That Office (Clubb)*[1]

SECRET [WASHINGTON,] June 4, 1951.

Subject: Nationalist Raids Against the Mainland

Attached are some reports[2] pulled from CA files which present a fragmentary but perhaps useful picture of Nationalist raiding operations against the mainland during the past few months. Several of the reports come from official Nationalist sources. The Taipei radio has boasted of more raids to come. It therefore appears that the Nationalists may be attempting to feel us out on the subject in which case our present silence would logically be interpreted as consent.

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[1] Clubb sent the memorandum to Merchant. A notation in Merchant's handwriting in the margin of the source text read, "We shld do nothing. LTM."

[2] Not printed.

The following paragraphs summarize the highlights of the reports and present some observations regarding the "legality" of the raids under the Chinese Government's "neutralization" undertaking.

A series of raids on points on the Chekiang mainland and the island of Yuhuan, off the Chekiang coast apparently took place November 19–22, 1950. According to a US Army report (attached), the raid was made by Nationalist "commando groups", with the assistance of the Nationalist Navy. . . . However, it is interesting to note that this report describes only the hit-and-run attack on the outlying Communist-held island "Yuhuan-hsien", and makes no mention of concurrent raids on mainland points. While the report describes the role played by Nationalist naval units (gunboats), it indicates that the troops landed were guerrillas ("from the Action Column of the Kiangsu-Chekiang People's Anti-Communist Assault Army, in cooperation with Nationalist elements in the Communist Yuhuan-hsien Battalion"). The report describes in detail tactics used and gives a glowing description of successes: 451 Communists killed, 210 wounded, 94 prisoners; rifles, ammunition, and miscellaneous booty seized. All this was accomplished, it is said, by 992 Nationalist "effectives", of whom only 49 were killed.

The press carried reports of Nationalist guerrilla attacks "on Sanmen Bay and Nanchen Island" on March 9. The Embassy was asked to investigate these reports (Deptel 1047, April 6).[3] . . .

. . . . . . .

The Embassy at Taipei reported on April 30 (Taipei's 1518, April 30)[3] an account from the local press of an April 22 guerrilla raid in Wenchow Bay, again on the Chekiang Coast. The guerrillas were said to have withdrawn after seizing 50 tons of rice and killing or wounding 400 Chinese Communists.

It is interesting to note that the Nationalists, in describing these raids, have endeavored to make them appear "legal" under the neutralization undertaking. On the surface it appears that their reasoning might have some validity.

The US Government's *aide-mémoire* to the Gimo of June 27[4] said:

"Your Excellency will understand that a continuation of air and sea operations *by forces under your Excellency's command against the*

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[3] Not printed.

[4] The text of the U.S. *aide-mémoire* of June 27, 1950, and a summary of the Chinese reply are included in Telcan 39, June 27, 1950, and telegram 1000, June 29, 1950, *Foreign Relations*, 1950, vol. VII, pp. 188 and 226.

*Chinese mainland* (underlining supplied)[5] or against shipping in Chinese waters or on the high seas would not be compatible with the discharge by the Seventh Fleet of the mission assigned to it. The US Government is therefore confident of your full cooperation in the issuance of the orders necessary to effect the termination of such operations, and its forces have been instructed to proceed on the assumption that such orders have been issued."

The Chinese Government replied, in writing:

"In consideration of the urgent nature of the communication and the common interest involved in the proposal, the Chinese Government wishes to express agreement in principle, and to inform the US Government that necessary orders to suspend the air and sea operations as requested have been issued."

The pretext for legality mentioned specifically in the attached March 26 Taipei radio broadcast (that raids would be launched from a Nationalist-held island "Outside the sphere of the Seventh Fleet's patrol") would appear to have little validity. The undertaking which the Chinese Government accepted "in principle" made no reference to the Seventh Fleet's "sphere of responsibility" and hence our ban presumably covers raids launched from Nationalist-held islands outside that sphere. However, the two reports received . . . describe raids undertaken by guerrillas against Communist-held "offshore islands". The Nationalists are perhaps reasoning that these raids are within the letter of the law, since (1) they were allegedly undertaken by independent Nationalist guerrilla units (not "forces under [the Gimo's][6] command"), and (2) they were directed against offshore islands (not "against the Chinese mainland").

Taipei radio, on March 26, referred to a December Nationalist raid on "Yungwan" Island, off the Chekiang coast, and predicted that the Nationalists may unleash "a series of limited amphibious operations to recapture some small but strategically important islands off the South China coast before this autumn, 'in the name of guerrilla forces'." It is emphasized that these operations will be necessarily limited in scope, "aiming at either the recapture of some small islands or staging commando operations on a certain thinly defended part of the Red-controlled China coast". It is stated that Nationalist authorities will exercise utmost care to observe our neutralization policy, and that future operations must accordingly be launched from Kinmen and Taicheng Islands (Nationalist-held), off the Chekiang coast, "both outside the sphere of the Seventh Fleet's patrol".

While not an official Chinese Government release this report has an official ring, particularly in view of its reference to our confidential representations to the Chinese on this subject in December.[7] It appears that the Nationalists are attempting to feel us out on the subject of mainland and offshore island raids, by broadcasting their intentions in this manner and, previously, by furnishing us . . . reports of raids undertaken. In the case of the Yuhuan-hsien raid we received a detailed account, apparently a "sales job" for our benefit. It is likely that other raids have been undertaken without our knowledge. In any event, it appears from the Taipei broadcast that more may be forthcoming. In the absence of any reaction from the US Government to radio and press publicity and official intelligence handouts, the Chinese Government is likely to conclude that we do not consider these raids a violation of the "neutralization" undertaking (or that we are condoning these operations regardless of their "legality").

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[5] Printed here as italics.

[6] Brackets in the source text.

These raids have certain obvious advantages from the standpoint of US interests: 1. Only a few Nationalist troops are committed at any one time, hence the results of a total defeat would not be disastrous from the standpoint of the defense of Formosa and the morale of anti-Communist elements in Southeast Asia and on the mainland; 2. No US involvement has been necessary so far; 3. A certain amount of damage can be done, perhaps to Communist staging centers along the Formosa invasion coast; 4. Numerous hit and run raids up and down the coast might tie up a considerable number of Communist troops for defensive purposes (perhaps causing a greater diversion of troops than would result from an all-out assault); 5. If the Nationalists are earnestly attempting to coordinate mainland guerrilla operations . . . and have any support among mainland anti-Communist elements, these raids should afford them an opportunity to establish communications and perhaps furnish supplies.

These are points which Defense . . . should properly weigh. . . .

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[7] No record of such representations has been found in Department of State files, but see Rankin's letter of December 20, 1950, to Merchant in *Foreign Relations*, 1950, vol. VI, p. 606.

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**693.93B/6-551 : Telegram**

### *The Ambassador in India (Henderson) to the Secretary of State*

SECRET NEW DELHI, June 5, 1951—6 p. m.

3515. 1. Talked with Bajpai June 5 re Tibet. He maintained GOI had no info as yet from Lhasa or from Dalai Lama re reaction to Peiping announcement signing of agreement. Tibet del to Peiping had never got in touch with Panikkar and Indian Emb Peiping had been unable to obtain any info re treaty other than that put out by Commie Chi.

2. I asked what his opinion attitude GOI wld be if Dalai Lama wld repudiate treaty; insist it obtained duress from del without authority to make such agreement. Bajpai said he did not know. GOI thus far had taken it for granted Dalai Lama wld accept treaty as best terms obtainable. He personally thought matter one between Dalai Lama and Peiping. If former shld refuse agree to treaty he thought GOI wld find it difficult regard treaty as legal document. If after rejecting treaty Dalai Lama shld ask for asylum in India GOI cld not well refuse.

3. I said seemed to me this treaty if accepted wld mean end Tibet autonomy and advance Commie Chi to Indian frontiers. I cld not see how India cld view such development with equanimity. In my opinion wld be to advantage to Asia if Dalai Lama wld refuse accept treaty. In such event aggressive tactics Peiping wld at least be unmasked. Bajpai said I might be right but GOI in interest correct relations Commie Chi was refraining from attempting exert any influence on Dalai Lama. GOI continues favor Tibet autonomy but cld not go further in this matter than Tibet itself.

HENDERSON

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794A.5 MSP/5-851

### *Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Director of International Security Affairs (Cabot)*

TOP SECRET [WASHINGTON,] June 6, 1951.

Subject: Control of Military Expenditures on Formosa

Attached is a telegram which we propose be sent to Rankin-Chase-Moyer in Taipei requesting that the quoted *aide-mémoire* be presented to the Generalissimo at the earliest appropriate time (Tab A).[1]

The minutes of the May 22 SEAC meeting (Tab B)[2] indicate that there is agreement among Defense, ECA, and State that the Department should undertake negotiations with the Chinese National Government for the purpose of obtaining its acquiescence in arrangements which would, in effect, provide the Chief of MAAG with authority for direct supervision of local currency withdrawals from the Bank of Taiwan.

My memorandum to you of May 8 (Tab C)[2] and my letter to Allen Griffin of May 9 (Tab D)[3] state the rationale for seeking acquiescence of the Chinese National Government in such an arrangement. ECA acceptance of this rationale is set forth in its presentation to the Bureau of the Budget, (Tab E) "Supplementary Funds for Fiscal Year 1952 to Support Mutual Defense Assistance Program for Formosa".[4]

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[1] Not printed; but telegram 1889 to Taipei, June 22, 1951, was a revised version; see p. 1715.

[2] Not printed.

[3] *Ante*, p. 1664.

Our telegram instructs Rankin to present the *aide-mémoire* by hand to the Generalissimo. . . . Commitments to regularize withdrawals cannot, as a practical matter, be given responsibly by any lesser authority in the National Government-Provincial Government hierarchy of authority.

The *aide-mémoire* requests that the Generalissimo come forward with his own recommendation for control arrangements. We will not be precluded from revising his proposals. We believe it important, however—quite as much for the effect produced in Southeast Asia as in Formosa itself—that when we proceed with working out the precise arrangements under which we will subtract from the Generalissimo's sovereignty in the field of military administration, we make as our starting point proposals which he himself has advanced and not arrangements of our own which he could construe as an explicit ultimatum.

Our *aide-mémoire* contains the veiled inference that military and economic assistance may not be forthcoming, in maximum amounts, unless the Chinese come forward with acceptable arrangements to bring their local military expenditures under control. This contingent aspect of our programs could be lost on the Chinese if the *aide-mémoire* is not presented until after Congressional consideration of the Foreign Assistance Program for Asia has begun. Therefore, we consider it to be of the greatest importance that the *aide-mémoire* be presented at once.

My recommendation is that, if you approve of the telegram we propose, ECA and Defense concurrences be obtained.

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[4] Not printed.

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793.5/6–651

## *Memorandum of Conversation, by the Director of the Office of Chinese Affairs (Clubb)*

CONFIDENTIAL [WASHINGTON,] June 6, 1951.

Subject: Desire of National Government to Have Additional Economic and Military Aid

Participants: Dr. V. K. Wellington Koo, Chinese Ambassador
Mr. Rusk, FE
Mr. Clubb, CA

Ambassador Koo stated that the National Government had already expressed its need for additional economic and military aid in the coming year as compared with last year. The matter of economic aid had been discussed with ECA at Taipei. Here, too, more was needed than in the previous year. When $50–60 million (FY 1951) were allocated for economic assistance to Formosa, for FY 1952 there would probably be needed about $70 million,* the increase being due to what might be called economic "impact costs" arising from an increased military program. Estimates of requirements for military aid had been presented to Minister Rankin in mid-February, with the request having then been made for $82 million for the next three months. The figures presented last autumn were of course larger but were for the whole year. In mid-April the National Government gave the Embassy three copies of a supplementary request for military aid. Under the military aid program they "would expect" to get additional amounts of planes, tanks, guns. For the proper utilization of this war matériel it would be necessary to meet what might be called military "impact costs" falling into two categories, namely, (1) $133 million military impact costs in foreign currency to purchase additional food for the nutrition of the troops, clothing, textiles, petroleum products, and (2) approximately $54 million local currency costs which would have to be spent by the National Government.

Noting that the military aid bill was evidently to be presented to the National Government all in one package, Ambassador Koo said that the National Government was interested in getting a reply to the question "Where do we stand?"

Mr. Rusk confirmed that by present intentions the military aid program would be presented to Congress in an omnibus bill. He was not certain that it had yet been formally presented to Congress for their consideration. In that bill, as it will probably be passed, there would of course be no specification of definite amounts for particular areas such as Formosa. In any event one prominent question would be that of the availability of military supplies: the passage of the bill did not mean necessarily that the goods would be instantly forthcoming. When hearings were to start on that bill was unpredictable. Mr. Rusk asked if there had not been discussions respecting the matter with ECA and General Chase on Formosa.

Ambassador Koo confirmed that there had been such discussions. He asked what the time-table of the bill's passage would probably be. Mr. Rusk said that it was to be anticipated that the bill would have heavy going, that its course was uncertain, that almost certainly a considerable time would ensue before its passage. The question was left on the suggestion that it might not pass until early fall.

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*Corrected by phone by Minister Tan Shao-hua June 7 to $75 million. [Footnote in the source text.]

Ambassador Koo referred to the testimony of General Omar Bradley in the current Senate hearings to the effect that the JCS had reported that $300 million were to be provided for FY 1952. Mr. Rusk said that he was uninformed in respect to the particulars, and it was to be noted in any event that this was an over-all sum.

Ambassador Koo said that more ECA aid was needed, that there is at the present time a gap which worries the National Government, that there are growing economic difficulties confronting Formosa. It is desirable that somehow or other some "timely aid" be supplied to fill that gap. He noted that there was a surplus existing in the European ECA funds, noted that some surplus had already been transferred, and wondered whether there could be an additional transfer for the purpose of enabling the National Government to tide over the present difficult period--which would presumably last until new ECA funds became available. Mr. Rusk replied that the question arose whether there had not already been transferred all that it was possible to transfer by the existing authority. He noted that in the case of such transfers it was of course necessary to consult Congress and effect only such transfers as were within Congress's authorization.

Ambassador Koo said that it was the Nationalist feeling that ECA was sympathetic to the Nationalist needs, and wondered whether the matter was not primarily a political question. He was unable to define clearly the reason why the question might be considered "political". He referred again to the big surplus existing in the European funds, and was told by Mr. Rusk that it would be necessary to consult Congress in case there was contemplated any transfer in excess of existing authority.

Ambassador Koo next referred to the difficult foreign exchange position now occupied by the National Government, and referred to it as a separate problem from that of economic aid. He stated that in the current year there had been sold 200,000 tons of sugar netting $30 million (U.S.?). The new sugar crop, although substantially increased in acreage, will not be harvested until the end of September, and until that time there will exist a serious gap in the "foreign exchange requirements". The ECA people at Taipei have given certain advice with respect to the foreign exchange position, and the Nationalists are consequently cutting down the import requirements. They nevertheless need approximately $5 million monthly for the next six months. There has already been some inflation in Formosa. The Nationalists have the project of raising $30 million on the security of next year's sugar crop, which will yield, it is estimated, 500,000 to 550,000 tons. Two hundred thousand tons would be offered as security. The arrangements might be made in two manners: (1) either by advance sale of the sugar crop, with payment in advance, or (2) by the making of a straight loan on that part of the crop as security. In both instances the National Government would plan to repay the advance (or loan) by the end of May 1952.

Dr. Koo said that they had approached the Ex-Im Bank with respect to the matter in point, but that the Bank had indicated disinterest because it is concerned with strictly commercial propositions, and this is considered partly political. Mr. Clubb asked why the Ex-Im Bank considered it partly political, and Dr. Koo replied that presumably it was because of the political uncertainties surrounding the island.

Dr. Koo said, in response to a question from Mr. Rusk, that the proceeds would be used in meeting import requirements in excess of those now covered by ECA action. Heretofore the National Government has been meeting the deficit from their reserves and with ECA aid. In the event that there is failure to meet those needs, public confidence would be shaken. Those imports are required. Mr. Clubb asked what particular imports in addition to those now made possible by ECA aid were needed for Formosa. Dr. Koo replied that they were primarily consumption goods such as, for instance, cotton cloth—only a part of Formosa's current needs being met by ECA aid. Formosa has only about 40,000 spindles, and no raw cotton.

Ambassador Koo said that the Nationalists had taken soundings in commercial circles respecting the possibility of making a loan on the sugar crop only to discover that, while commercial interests considered that the loan was o.k. as a commercial proposition, there still existed (as in the case of the Ex-Im Bank) the question of "political security". It was hoped that if the United States Government were approached by commercial interests they would give a favorable report in respect to the security aspect.

In response to a question from Mr. Rusk, Ambassador Koo said that this loan, although somewhat similar to the currency stabilization project, would in fact be used only to meet international payments. He said that the problem had already been discussed with ECA.

Mr. Rusk being called from the room, Mr. Clubb asked Ambassador Koo what would happen in respect to the budget plans of the National Government if they spent their income from the sugar crop in advance as now projected and then were called upon to repay the advance by the end of May next—and thus were left short of the funds that they would otherwise have. Ambassador Koo replied that he himself had queried his Government in respect to that very point, but that their reaction was that they would "cross that bridge when they came to it". Mr. Clubb asked whether there was not a possibility that the export of pineapples—previously a large export item—could go some distance toward meeting the foreign exchange deficit. Ambassador

Koo remarked that the previous market in Japan particularly had been largely lost, that the Japanese had bought some bananas but were uninterested in obtaining more of even those. (Mr. Cornelius Roosevelt in a conversation later in the day reported that the Nationalists lost their pineapple market because of the export of inferior product after V–J Day.) Ambassador Koo remarked that the world sugar price was somewhat up, and expressed (somewhat halfheartedly) the hope that perhaps the United States could purchase some. It was remarked that the United States obtained its main supplies from Cuba and the Philippines.

Ambassador Koo expressed the hope that some encouragement could be given in respect to this matter of the foreign exchange deficit. This could be done preferably through the ECA who are themselves apprehensive of the situation in that regard. Mr. Rusk said that there were fundamentally two questions, one, of the balance of international payments, and the other, of currency stabilization. The latter question was complicated and difficult. We would, however, have ECA take a look at the whole problem.

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**793B.00/6–1151 : Telegram**

### *The Ambassador in India (Henderson) to the Secretary of State*[1]

TOP SECRET PRIORITY NEW DELHI, June 11, 1951—4 p. m.

3576. Personal and confidential for McGhee and Mathews (SOA). Wilkins returned from Darjeeling and Kalimpong June 10 fol convs with Tsepon Shakabpa and other Tibetan officials.

Accordance Dept instructions, Shakabpa's questions as stated Embtel 3398, May 29 were answered along lines Emb suggestions in that tel as qualified by Deptel 2051, June 2. Shakabpa was informed simultaneously answers based our assumption terms Sino-Tibetan agreement unacceptable established Tibetan Govt and combined pol and mil pressure might be exerted on Tibet. It was also made clear US cld not assume responsibility guidance Tibetan Govt. When questioned re Peiping radio broadcasts Tibetan del with full powers had signed agreement, Shakabpa said that Dalai Lama had telegraphed him recently Dalai Lama and Tibetan Govt did not recognize Sino-Tibetan agreement and that instructions had been sent Tibetan del Peiping to inform Commie Chi it was unacceptable Tibet. Shakabpa stated Tibetan del did not have full powers and was required under its instructions refer all important points Yatung. Shakabpa speculated Tibetan del had been forced by pressure and threats re its personal safety sign agreement. Sitn Lhasa described Khatmandu press report was not true and was probably garbled acct arrival more than six months ago Tak-Tse Rimpochi and others from Kumbum monastery in Chi.

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[1] Action was assigned to the Office of Chinese Affairs, which was handling matters concerning Tibet. An undated memorandum attached to the source text, from Edward E. Rice of that office to Troy L. Perkins, the office's Deputy Director, stated that Rice had discussed the telegram with Thomas W. Ireland of the Office of South Asian Affairs and indicated that Deputy Under Secretary Matthews wanted to be informed of any telegrams of a substantive nature concerning Tibet.

Shakabpa said Tibetan Govt had been informed by Tibetan del Peiping ten-man Commie Chi del left Peiping June 5 for Yatung via India to "congratulate" Dalai Lama on conclusion agreement. Some members Tibetan del wld probably return with Chi del. Shakabpa said Commie Chi Govt wld probably not be informed unacceptability Sino-Tibetan agreement until all members Tibetan del had left Chi; otherwise their lives might be endangered. Shakabpa speculated Tibetan Govt delayed public announcement from Yatung re its official reaction Sino-Tibetan agreement for that reason.

On day second and concluding conv Shakabpa said he just recd urgent msg from Dalai Lama who was informed re "all these matters", now under discussion, as well as fact they being discussed. . . . Shakabpa indicated msg meant that if there were any prospect assistance from US, Dalai Lama, who was opposed terms Sino-Tibetan agreement and was determined not give up control Tibetan defense, was prepared leave Tibet but that if US unable assist there seemed little hope Tib cld successfully resist. It was at this point Shakabpa said he himself extremely pleased and happy with US replies his questions and was certain they wld be equally satisfactory Dalai Lama and Tibetan Govt. Shakabpa planned fully inform Dalai Lama re US replies and promised keep Emb reps advised re further developments.

Throughout course convs Shakabpa repeatedly stated govt and people Tibet were opposed terms Sino-Tibetan agreement and wld resist to best ability at borders outer Tibet. It wld be absolutely essential for Dalai Lama leave Yatung for India because he cld easily be cut off there and there was no place in Tibet where he wld be safe from capture by Commie Chinese. Continued US assistance and support for Tibetan resistance groups within Tibet wld be most essential. High importance GOI attitude, because of India's geographical proximity to Tibet, was completely understood and appreciated by Shakabpa and other Tibetan officials.

Shakabpa commented re new appeal UN under question 1, it wld under present circumstances be preferable postpone appeal until after public announcement by Dalai Lama and Tibetan Govt re unacceptability Sino-Tibetan agreement and until after Dalai Lama had reached India. Shakabpa commented re asylum Ceylon under question 2, it wld be helpful if US wld immediately approach Ceylon Govt informally. It wld be difficult Tibet do so because they had no established relations Ceylon and because departure any Tibetan reps wld immediately become known GOI. Wilkins informed Shakabpa if Dalai Lama and Tibetan Govt requested informal US approach, action wld be taken. Shakabpa promised tel Dalai Lama and reply shortly.

Re asylum US under question 3, Shakabpa again indicated Dalai Lama and between 100 and 200 followers including families wld prefer asylum in US. Shakabpa agreed, however, it wld be wiser Dalai Lama remain India or Ceylon and thoroughly understands importance their doing so. Shakabpa also understands US cannot assume any responsibility personal expenses Dalai Lama and retinue. Shakabpa considered US willingness receive Dalai Lama and retinue if it shld subsequently prove necessary one of most important points US response.

Re US assistance arms and loans money under question 4, Shakabpa appreciated reaffirmation US promise based on certain conditions limited mil assistance but pressed for more definite statement re help through loans money. Shakabpa informed more definite statement cld not be made as wld depend developments Tibet; nevertheless US was prepared give consideration act in [*action?*] which might be effective in encouraging Tibet regain and maintain autonomy. Shakabpa considered this aspect sitn another most important point US response. Tibetans have not recently approached GOI re arms because they were negotiating Peiping and did not expect unacceptable agreement.

In view last tel from Dalai Lama, quoted in para 5, Shakabpa stated that after Dalai Lama and Tibetan Govt had considered US replies his questions, Shakabpa wld probably be instructed approach GOI not only regarding Dalai Lama's departure for India but also re GOI support for new Tibetan appeal UK [*UN?*], arms and other questions which wld arise as result unacceptability Sino-Tibetan agreement to Tibet.

Re US informal rep under question 5, Shakabpa hoped some American official cld remain Kalimpong during next few weeks as many important questions wld arise. Emb undertook do what it cld and will make some arrangement either from Calcutta or Delhi.

Re Tak-Tse Rimpochi under question 6, Shakabpa informed he had arrived Kalimpong and Dalai Lama wished him proceed US soonest as Commie Chinese wld probably make his presence India difficult. Tak-Tse subsequently informed Wilkins he was carrying identifying letter from Dalai Lama which also stated that Dalai Lama desired close relations US and its help and that Tak-Tse spoke for him.[2] Tak-Tse plans, however, proceed US in unofficial capacity. Subsequent tel follows re Tak-Tse visit.[3]

Other Tibetan officials including Llushar did not have Shakabpa's info re govt reaction Sino-Tibetan agreement and took somewhat pessimistic line re possibility opposition to it although indicating it might be necessary Dalai Lama leave Tibet.

Detailed account convs being forwarded by pouch June 14.[4]

HENDERSON

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[2] The text of an English translation of the letter was transmitted to the Department in telegram 3666 from New Delhi, June 16, 1951. (793B.00/6–1651)

[3] Telegram 3616 from New Delhi, June 13, 1951, not printed, recommended that the Department approve Taktser Rimpoche's proposed visit to the United States, permit him and his servant to enter the United States with an affidavit in lieu of a passport, and, if necessary, provide financial assistance (793B.00/6–1351). Telegram 2194 to New Delhi, June 18, 1951, not printed, approved the Embassy's recommendations (739B.00/6–1351).

[4] Under cover of despatch 3030 from New Delhi, June 14, 1951, not printed.

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**793B.00/6–1551 : Telegram**

### *The Chargé in India (Steere) to the Secretary of State*

TOP SECRET PRIORITY NEW DELHI, June 15, 1951—4 p. m.

3643. Accord Hong Kong tel 3768 June 13 [1] ChiDel may leave Hong Kong by air for Yatung via India about June 20. If Tibet finally decides disavow Sino-Tib agreement (Embtel 3576 June 11) it will undoubtedly wish publicly make known its attitude before ChiDel reaches India possibly as early as June 22. Based on convs with Shakabpa it also seems probable Tib will wish send new appeal UN.

Under these circumstances Emb believes US Govt itself might wish issue statement its views immed fol Tib statement and before dispatch new UN appeal. Such statement by US wld clearly make known US attitude toward aggression as practiced by Red Chi in Tibet and might give lead to other UN members especially GOI. If Tib Govt informed in advance, its stand might be strengthened.

Emb accordingly suggests possible US statement might be worded along fol lines:

"US Govt has been informed Govt Tib June (blank), 1951, announced refusal approve agreement which had previously been reported by Peiping Radio as having been concluded by reps Red Chi and Tib del at Peiping.

"Facts of matter appear be these: In Oct 1950 without warning, forces Red China invaded eastern Tibet; in Nov and again in Dec 1950

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[1] Telegram 3768 from Hong Kong, not printed, reported that a delegation from the Central People's Government to Tibet was scheduled to arrive in Hong Kong on June 20 and to fly from there via Singapore to Calcutta (693.93B/6–1351).

Tib appealed UN; in April 1951 Tib sent del Red China in endeavor reach peaceful solution and effect withdrawal Red Chi forces from Tib; in May '51 Red Chi announced agreement had been reached between Red China and Tibet; this agreement emasculates Tibetan autonomy by providing for milit occupation all Tibet and for polit domination by Red China; in June '51 Dalai Lama of Tib, who is head autonomous state Tib, and his govt announced they refused because it had been obtained under duress.

"It is recalled Nor Kor commenced hostilities Korea June '50 and Red Chi invaded Korea Oct '50. Red Chi milit invasion Tib and conclusion agreement under duress are further evidence aggressive intentions Red Chi toward its peaceful neighbors.

"US Govt is sympathetic plight govt and people Tib. It hopes Tib will bring all facts attention UN and UN will give early hearing Tib's case.

"US Govt prepared support hearing Tib case and will continue cooperate with UN in resisting aggression and in assisting in restoration peace throughout world."

Pls inform urgently.[3]

Sent Dept 3643, repeated info Calcutta 261.

STEERE

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[3] The Department replied in telegram 2183 to New Delhi, June 16, 1951, not printed: "You may inform Tibetans, if and when you consider desirable, that upon disavowal Sino-Tibetan agreement, US official reference to this action, indicating sympathy for Tibetan position, cld be expected. Tenor and timing of any comment wld depend on character Tibetan announcement. It is considered undesirable that US Govt publicly introduce UN question in advance Tibetans' own action this regard" (793B.00/6-1551).

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S/P Files: Lot 64 D 563

## *Draft Telegram, Drafted by Charles Burton Marshall of the Policy Planning Staff*[1]

TOP SECRET [WASHINGTON,] June 19, 1951.

Instructions requested in your message[2] are as follows: First, it should be disclosed to [name deleted] that Washington has been consulted by cable, and an answer has been received which makes it clear that idea of establishing an authentic yet informal liaison for discussion of pertinent matters has approval on high official levels in U.S. Government. Second, you should have [name deleted] communicate to his principal by quickest appropriate channel that the desire to establish and maintain authentic and informal liaison of most secret character for use in discussion of pertinent matters is firm and sincere and has official backing of high authorities and that these authorities would welcome establishment at earliest practicable time of direct contact with [name deleted] principal or contact through an agent of [name deleted] principal. [Name deleted] communication should stress assurances of sincerity and authenticity of source and secrecy of arrangements. Precise form of [name deleted] communication can best be worked out at that end but we suggest something along the line that he has consulted further with associates of the two stockholders that he had previously referred to and these associates now assure him that the plans of the stockholders have high backing in the headquarters of their firm.

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[1] The source text was not signed or initialed, but Marshall's name appears as the drafter. In the interview cited in footnote 1, p. 1652, Mr. Marshall stated that he had no recollection of the telegram or of the message to which it was intended to reply (611.93/1-651). According to notations on the source text, there were five copies of the draft: the source text, filed in the C. B. Marshall file in S/P Files: Lot 54 D 563, one copy sent to the CIA, one copy given to Krentz, and two copies destroyed.

[2] An undated message from Hong Kong attached to the source text stated that the person to whom Marshall had spoken on May 17 (see the memorandum of conversation, p. 1667) had received a letter dated June 3 from Peking, acknowledging his letter occasioned by Marshall's and Chase's visit to Hong Kong and expressing guarded interest in further discussion of the possible establishment of a channel of communication.

We assume you are coordinating with the Consul General.[3]

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[3] There is no indication that this draft telegram was sent, and no further communications in this series have been found in the Department of State files. Concerning an attempt at this time to establish contact with the People's Republic of China through the Chinese Ambassador in Moscow, see the unnumbered telegrams of June 22 and 25 from Moscow, pp. 545 and 548.

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793B.00/5-2951 : Telegram

## *The Secretary of State to the Embassy in India*

TOP SECRET PRIORITY WASHINGTON, June 20, 1951—8 p. m.
NIACT

2227. Possible asylum for Dalai Lama.

All things considered, it wld be preferable for Dalai Lama, if he decides leave Tibet, to seek asylum in Thailand. We are prepared make susbtantial effort effect such arrangements with that country, which is Buddhist and has long historic relationship with Tibet. Otherwise procedure outlined urtel 3398 May 29, point 2, continues to be acceptable, and we prepared actively second Tibetan efforts.

Believe undesirable refer to asylum in USA. However, as preliminary in discussion this subj with Tibetans, you may say we will assist in securing place which is suitable and safe, pointing out that effort of Dalai Lama and Tibetan auths maintain their moral and spiritual position in eyes Tibetan people wld be best served by residence nearest feasible point to their country. If question explicitly raised you may say that in circumstances requiring removal from entire area as safety measure sympathetic consideration wld be given to entry USA.

ACHESON

793B.00/6-2251: Telegram

### *The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NEW DELHI, June 22, 1951—10 a. m.

3727. Emb acknowledges receipt Deptel 2227, June 20 re possible asylum Dalai Lama. Shakabpa, who claimed be personal rep Dalai Lama, originally broached this and other questions arising from Amb Henderson's ltr (Deptel 1633, April 6)[1] in Calcutta May 24 as reported Embtel 3398, May 29 and Embdesp 2615, May 26.[2] Thereafter, Wilkins had further convs with Shakabpa in Kalimpong June 7 and 8 at which time US position on all questions was explained as instructed by Dept along line Emb suggestions in Embtel 3398, May 29 as qualified by Dept in Deptel 2051, June 2. Report these latter convs contained in Embtel 3576, June 11 and Embdesp 3030, June 14.[3]

Essence these convs re asylum was that Dalai Lama and followers ought endeavor remain in country near Tibet for purpose maintaining resistance to Chi Commies with [*within*] Tibet. Such countries in order preference were India and Ceylon. However, if it shld subsequently develop Dalai Lama and followers cld not remain India or Ceylon, US wld be willing receive Dalai Lama as eminent religious dignitary and head autonomous state Tibet together with between 100 and 200 followers. Shakabpa was also clearly told US cld not finance personal expenses Dalai Lama and followers. Shakabpa understood and agreed at time receipt Deptel 2227, June 20, was preparing departure for Calcutta June 22 discuss details re Tak Tse visit US (Deptel 2194, June 18)[4] with ConGen Calcutta and also endeavor work out steps bringing Shakabpa and Tak Tse more closely together re affairs Dalai Lama before Tak Tse leaves India. In view Deptel 2227 Wilkins will also discuss asylum Thailand and will make arrangements for sending further info to Shakabpa soonest.

STEERE

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[1] See footnote 2, p. 1619.
[2] Not printed.
[3] See footnote 4, p. 1710.
[4] See footnote 3, *ibid.*

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793B.00/6-2251: Telegram

### *The Secretary of State to the Embassy in Thailand*

TOP SECRET WASHINGTON, June 22, 1951—5 p. m.

2075. For Turner[1] from Rusk for urinfo only. Question of asylum for Dalai Lama is under discussion with US Emb not GOI New Delhi if Dalai Lama decides leave Tibet. US prepared make substantial effort effect arrangements for asylum Thailand which is Buddhist and has historic relationship with Tibet.

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[1] William Taylor Turner, Counselor of Embassy in Bangkok.

On Jun 22 Thai Amb was informed US desire be useful making arrangements asylum Dalai Lama Thailand if agreeable both parties. To this end I handed Thai Amb ltr from Comite for a Free Asia, Inc. addressed to Secy which contained fol substance:

> "The Comite has followed with sympathy flight of Dalai Lama and his brave but unsupported resistance to demands and threats of Chi Commie Govt. His continued silence since Peiping reported agreement May 23 between Peoples' Central Republic and Tibetan local Govt is indicative his non-acceptance of terms. It is our belief that Dalai Lama is both a symbol and potential leader of Asian resistance to Communism. As such he has become religious and polit refugee without suitable asylum.
>
> "The Comite for a Free Asia desires make contribution provision of asylum but of necessity limited to moral encouragement and some financial assistance. Asylum in the US wld be far from ideal for it wld take him away from peoples of Free Asia and from direct contact with the followers of Buddha. Of the various Buddhist countries to which Dalai Lama might go Thailand combines profound devotion to Buddha with proud record of independence and has taken lead among Asian countries in resisting Communism. Moreover for centuries Thais and Tibetans have been neighbors and allies. In such atmosphere of common religion the Dalai Lama might feel at home.
>
> ["]If Thai Govt wld extend asylum to Dalai Lama and entourage and wld proffer him a suitable invitation to that effect the Comite for a Free Asia wld underwrite whatever expenses might be involved therein."

Thai Amb is communicating this info to his Govt for action. [Rusk.]

ACHESON

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793B.00/6–1851: Telegram

## *The Secretary of State to the Embassy in India*

TOP SECRET WASHINGTON, June 22, 1951—6 p. m.

2252. Re London's 6654 June 18[1] (being separately repeated New Delhi), FYI Dept believes this discussion London calls for some consultation with UKHC in New Delhi. Therefore inform UKHC:

> (1) US has been touch with reps Tibet who were told we most sympathetic maintenance Tibet autonomy and prepared support any feasible way; we wld officially indicate sympathy for Tibetan position if Dalai Lama rejected agreement, tenor and timing our comment to depend on character Tibetan announcement.

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[1] The reference telegram, not printed, reported that the Embassy had given to officials of the British Foreign Office the substance of the first two paragraphs of telegram 3643 from New Delhi (p. 1710) and that the Foreign Office representatives were extremely anxious that the United States should discuss the Tibetan problem with Bajpai; failure to do so, in their opinion, would probably increase the strain in U.S.-Indian relations and "may result in Nehru washing his hands entirely of Tibetan problem" (793B.00/6–1851).

(2) You may also inform UKHC for his info alone that Tibetans were told attitude GOI is an important element in situation.

(3) That in connection appeal to UN by Dalai Lama Dept wld support UN consideration if Tibetans decide to initiate.

Emb shld not give any indication manner and time discussions with reps Tibet nor go further than indicated in substantive discussion, although you free give to extent useful reasoning behind our stand.

Suggest GOI be informed para one above. Emb to use discretion approach after consultation suggested above with UKHC.

Acheson

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**794A.5 MAP/6–2251 : Telegram**

*The Secretary of State to the Embassy in the Republic of China*[1]

TOP SECRET WASHINGTON, June 22, 1951—9 p. m.

1389. Toisa. Uncontrolled and unplanned character of Chi mil expenditures on Formosa is serious obstacle to accomplishment those econ polit and def objectives on Formosa which it is common desire of National Govt of China and US Govt to achieve. It is probably inevitable that mil estab must impose heavy burden on national budget. It is not necessary however that this charge on Formosan resources be so unpredictable in terms of social and econ consequences it produces as to render sound econ planning almost if not completely impossible and impair the defensive capability of the island which it is the intent of the mil assistance program to develop.

In view of above, State, ECA and Defense are urgently considering desirability and feasibility of your presenting *aide-mémoire* along fol lines to Generalissimo at earliest appropriate time in order assure attainment of objectives of our enlarged aid programs in Formosa. Anxious obtain soonest joint or individual views yourself, Chase and Moyer draft *aide-mémoire* for our consideration.

*Aide-mémoire* as follows:

"The US Government is engaged currently in developing programs of econ and mil assistance for Formosa and other areas in the Far East. The US Government cannot however go forward with prospect of successful implementation of the program for Formosa without assurances that the National Government of China will cooperate effectively in bringing its mil and civilian expenditures on the island under planned control. Therefore the US Government requests as a matter of urgency that the National Government of China formulate and propose for urgent consideration by and discussion with representatives of the Government of the United States some practical method whereby competent American authority may exercise, jointly with responsible Chinese military and civil officials effective supervision over budgeting and expenditure of Formosan resources and funds for support of the military establishment and civilian economy of the National Government of China. Efficient implementation of United States econ and mil assistance programs for Formosa depends, we believe, upon promptly working out the arrangements referred to above; they are a precondition for efficient application of those maximum efforts which are required to achieve a healthy economic, social and political environment on Formosa and the capability for successful military defense."

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[1] A draft telegram, similar in substance and incorporating an identical draft *aide-mémoire*, was sent to Secretary Acheson with a covering memorandum of June 13 from Rusk to McWilliams; the covering memorandum bears the notation "OK DA" in Acheson's handwriting (794A.5 MSP/5–851).

ACHESON

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## *Editorial Note*

A memorandum of June 22, 1951, from Policy Planning Staff Director Nitze to Kenneth C. Krentz, drafted by Charles Burton Marshall, commented on a report on Third Party's activities after his departure from the United States. Nitze's memorandum stated that the attachment (not filed with the source text) raised some interesting questions because of discrepancies in the views stated by Third Party in his indirect conversations with Marshall and the views he expressed after leaving the United States. It stated that he was represented in the attachment as "doubting the existence of any real or potential cleavage in the Chinese Communist party" and "criticizing the withholding of Formosa from the Red Chinese" and that he had apparently "let on" that "he was doing a job in the U.S. more or less as an agent of Peiping" although "his faith in the effectiveness of the independent groups in Peiping", as reported in the attachment, was "quite consistent with what was adduced in interviews in this country." The memorandum speculated as to whether Third Party was dissimulating in his conversations in the United States or after his departure or was "just naive and behind the times" or "just a self-seeker without much sense of direction." (S/P Files: Lot 64 D 563)

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793B.00/6-2551 : Telegram

## *The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, June 25, 1951—9 a. m.

536. Embtel 3687, June 19.[1] Thacher returned Kalimpong today after brief consultation here. His notes of his conversations with Tibetans being pouched.[2] Important features are:

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[1] Telegram 3687 from New Delhi, not printed, reported that Nicholas G. Thacher, Vice Consul at Calcutta, had gone to Kalimpong on June 15, ostensibly on leave, to maintain an informal liaison with Shakabpa and Tering (793B.00/6-1951).

[2] Under cover of despatch 615 from Calcutta, June 25, 1951, not printed.

(1) In conversation June 15 with Shakabpa Thacher stressed importance issuance by Dalai Lama of statement disavowing Sino-Tibetan agreement prior to arrival in Calcutta of Chinese and Tibetan delegates. Shakabpa most eager for info re arrival date. Shakabpa also stressed great need of Tibet for financial assistance from US Govt.

(2) On June 19 Thacher conveyed to Shakabpa substance Deptel 2183, June 16[3] to effect US prepared issue statement following issuance of Dalai Lama's statement and also prepared support Tibetan appeal to UN upon Tibet's taking initiative re UN. Shakabpa agreed inform Yatung at once and seemed understand matter fully. Shakabpa also said most high Tibetan officials summoned to Yatung from Lhasa and elsewhere, evidently for important conference. He reverted to question of financial aid. Thacher reiterated he cld add nothing to what Wilkins had said on subject.

(3) In same conversation Shakabpa expressed surprise when Thacher suggested GOI might be under impression Tibetan Govt had no objection to terms of agreement as announced by Peiping. When Shakabpa commented GOI with reps at Yatung and Lhasa should know better, Thacher pointed out absence of any public disavowal by Tibetan Govt might be contributing factor in Indian attitude.

(4) In this and two subsequent conversations Shakabpa anxiously asked for news from Hong Kong. Up to afternoon twenty-third he had had no further word from Yatung.

(5) Thacher had conversation with Taktse Rimpoche at which Dr. Carsun Chang acted as interpreter as Taktse speaks Chinese.

Taktse arrived here yesterday and we are sending separate telegram[4] re conversation we had with him last evening. . . .

Sent New Delhi 411, rptd Dept 536.

WILSON

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[3] See footnote 2 to telegram 3643, p. 1711.

[4] Telegram 539 from Calcutta, June 25, 1951, not printed, reported a conversation between officers of the Consulate General and Taktser, who had told them that Shakabpa was authorized by the Dalai Lama to discuss with U.S. representatives matters related to the Dalai Lama's intended departure from Tibet and trip to the United States (793B.00/6–2551).

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293.1122/6–2551 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

CONFIDENTIAL PRIORITY WASHINGTON, June 25, 1951—5 p. m.

6101. Urtel 6694, June 20.[1] Dept has been aware implications to Brit position in requesting another country, such as Switzerland, represent US in protection its interests in China. For this reason, Dept most anxious there be multilateral approach at Peiping of largest nr possible countries free world having representation there. It wld be particularly desirable to include India because good relations with Peiping and moral auth Ind Govt endeavors assert in other Asiatic matters. Question posed one of principle and observance most primary code of internatl behavior. Dept prepared to approach other Govts for their assistance and wld welcome any views FonOff may have as to timing and method, so that Amer and Brit efforts although separate will be correlated.

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[1] The reference telegram, not printed, referring to pressure on the Department to enlist the aid of other countries in protecting U.S. interests in China, commented that the British were doing as well as possible under the circumstances and that asking the help of another nation would be interpreted as an indication of dissatisfaction with British stewardship (293.1122/6–2051).

Ind Govt may feel that because it has few or no protection problems China it shld abstain, but this shld not interfere with carrying out projected move.

ACHESON

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793B.00/6-2651: Telegram

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, June 26, 1951—3 p. m.

541. Re Contel 539, June 25,[1] . . . second conversation with Taktse Rimpoche on afternoon June 25. Conversation lasted three hours and was very cordial. Full account being pouched.[2] Taktse declared:

(1) Tibetan Government does not approve of Sino-Tibetan agreement and Dalai Lama "certainly" does not approve.

(2) Likely Dalai Lama will issue statement disavowing agreement before arrival in India of Chinese and Tibetan delegates.

(3) Dalai Lama will definitely leave Tibet and although may not have time before arrival India of Chinese and Tibetan delegates, will do so before their arrival Tibet.

(4) Dalai Lama would probably find it awkward remain India in view close relations between GOI and China and would prefer seek asylum in United States of America.

Taktse undertook, however, convey to Dalai Lama suggestions re Thailand and Ceylon which have been also made through Shakabpa.

We informed Taktse fully re United States Government position and he promised relay information to Dalai Lama. He is transmitting summary of conversation to Dalai Lama by trusted messenger . . . .

Arrangements being made for Taktse and one servant to depart July second by PanAm for United States. Both speak Chinese but neither English.

WILSON

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[1] See footnote 4, p. 1717.
[2] Under cover of despatch 625, June 28, 1951, not printed.

793B.00/6-2751 : Telegram

*The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NEW DELHI, June 27, 1951—3 p. m.

3785. Ref Deptel 2252 June 22 rptd info London 6062 and Deptel 2232 June 21 (London 6654 June 18 to Dept).[1]

Instrs Deptel 2252 carried out in part June 24 with UK HC who just back from Simla. Said had seen no cables past week and completely uninformed.

Nye[2] listened closely particularly to reasoning substance of which was we regarded Sino-Tib agreement as additional evidence aggressive intentions Chi Commies; agreement emasculated Tib autonomy which we had recognized; we considered it incumbent upon us, therefore, if Dalai Lama rejected agreement, not only to express sympathy and support to Tibs themselves, but to make our attitude clear before world on such important event. I also observed that if DL or Tib Govt did not soon reject agreement Tib autonomy wld be gone forever.

Nye said that he had expressed view to HMG following announcement Sino-Tib agreement that GOI wld accept it as *fait accompli* and take no action that might disturb relations with Chi Commies. He had also recommended that HMG attitude shld be recognized paramount interest Ind in Tib and keep step with GOI re this matter. Nye agreed to further conversations soon as he cld prepare himself; eventually talk fixed for today.

Nye began with questions on assurances given Tib reps. In particular had we committed ourselves to make official statement of US sympathy for Tibs regardless attitude of GOI (or UK) or before GOI might indicate its attitude. I said we generally committed to making statement if DL rejected Sino-Tib agreement. Tenor and timing wld depend considerably upon Tib statement. We wld probably want to make our statement soon after Tibs.

Nye observed that US statement might show attitude differing with Ind and therefore embarrassing to Ind and that GOI was likely take offense at and even regard as unfriendly, such US statement particularly if made without consultation with or prior advice to GOI. He even thought that HMG in such event might find itself leaning toward Ind rather than US side in this matter.

I replied that US statement, if made, wld be based upon attitude US (and UK) had long maintained toward status of Tib, i.e. recognition of autonomous Tib under Chi suzerainty. Ind only few months ago had confirmed similar attitude. We proposed maintain that position, and not recognize even tacitly, *fait accompli* by Commie Chi. I cld not see what basis GOI wld have for objecting on substantive grounds to statement maintaining US attitude, if GOI shld decide change its position which we hoped it wld not do.

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[1] See footnote 1, p. 1714.
[2] Sir Archibald Nye, High Commissioner for the United Kingdom in India.

I also said under my instrs our conservation was to endeavor find common basis for both of us approach GOI with view enlisting Ind support if possible for some practical assistance to Tibs in their dilemma. It was also my intention inform MEA about Emb convs with Tibs soon as possible (reftel 2252 para 1). I therefore did not think GOI had basis for taking offense at course US following.

HICOM (with Cumming-Bruce[3] also present) took above remarks extremely well, it seemed, as also hope I expressed he might agree that we both shld rep to GOI that it in Ind national interest for DL to reject Sino-Tib agreement and be given asylum in India.

We discussed advent Chi del and bearing on Tib statement. Nye at first thought not necessarily serious if del arrived and proceeded Yatung, but finally seemed accept Emb view that Tib declaration before Chi arrival best.

Nye suggested FonOff and Dept might usefully examine legal aspects of Sino-Tib agreement in re Tib autonomy. I agreed. We agreed Nehru absence Kashmir wld impede GOI action this matter for week. Net effect might not be bad.

Conversation concluded with Nye stating it most useful and he wld communicate HMG for further instrs.

Sent Dept 3785, rptd info London 139, Calcutta unnumbered.

STEERE

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[3] Francis Edward Cumming-Bruce.

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793B.00/6-2751: Telegram

*The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NEW DELHI, June 27, 1951—5 p. m.

3798. Suggestion final para Deptel 2252 June 22 carried out with GOI (Dutt)[1] late June 26 following talk UKHC.

Statement was prefaced by info that Tib reps had approached us and told us of Tib dilemma. They had said Dalai Lama was disposed reject Sino-Tib agreement as being unacceptable in its terms and as going beyond powers of Tib dels; DL wanted to know US attitude toward Tib position and agreement.

This info had been reported to Dept. I was now authorized by Dept to convey to GOI that Emb had informed Tib reps in response their inquiries as follows, (then gave Dutt substance para one of reftel).

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[1] Subimal Dutt, Secretary, Indian Ministry of External Affairs.

I added that we regarded terms Sino-Tib agreement as destructive Tib autonomy which we had long recognized; that we felt impelled make known the maintenance our attitude in event Tib rejection agreement.

Dutt accepted statement without comment except to ask when Tibs had approached us. I replied "some two or three weeks ago".

Sent Dept 3798, rptd info London 140, Calcutta unn.

**Steere**

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793B.00/6–2851

### *The Chargé in India (Steere) to the Department of State*

TOP SECRET AIR POUCH NEW DELHI, June 28, 1951.

No. 3113

Subject: Transmission of Dalai Lama's Letter With Regard to Tibet's Appeals to the United Nations

I have the honor to enclose a copy of a letter, dated May 21, 1951, from the Dalai Lama of Tibet[1] with regard to Tibet's appeals to the United Nations in November and December 1950.

It is recalled that the Department in its telegrams No. 1015 of January 3, 1951 and No. 1047 of January 6, 1951,[2] authorized the Embassy to inform the representatives of Tibet regarding the attitude of the United States with respect to Tibet's appeals to the United Nations and with respect to the issuance of visas to these representatives for entry into the United States.

Following the receipt of these telegrams, the Embassy communicated with the Tibetan representatives at Kalimpong by mail. As no replies were received and as the matters under discussion were of some importance, copies were forwarded to the Dalai Lama on April 4, 1951.

It is noted that the Dalai Lama's response of May 21, 1951 was written before the conclusion of the Sino-Tibetan agreement at Peiping on May 23, 1951. In view of subsequent developments it is of interest that the Dalai Lama on May 21 apparently anticipates that it might be necessary for Tibet again to approach the United States for help.

For the Chargé d'Affaires, a.i.
**Fraser Wilkins**
*First Secretary of Embassy*

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[1] The letter to Ambassador Henderson, not printed, acknowledged Henderson's letter dated April 4, 1951 (see Henderson's letter to Mathews, March 29, and telegram 2673, April 4, pp. 1610 and 1619), together with copies of letters previously sent to Tibetan representatives, stated that peace negotiations between China and Tibet were proceeding in Peking, and added that if Tibet should have to approach the U.S. Government again, he hoped the United States would do its best to help.

[2] For text of telegram 1047, see *Foreign Relations*, 1950, vol. VI, p. 618; telegram 1015 is summarized in footnote 1 to that telegram.

**793B.00/6–2951 : Telegram**

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

TOP SECRET LONDON, June 29, 1951—1 p. m.

6911. New Delhi's 3785, June 27 to Dept, repeated London 139.

1. Foreign Office has received closely similar report from New Delhi re Steere-Nye conversations on Tibet. In addition Nye reports his understanding Dalai Lama will seek refuge in India in any case and has only been awaiting assurances Tibetan delegation removed from area under Chinese jurisdiction. Nye reiterates his belief GOI would oppose shipment military equipment across India to Tibet.

2. Present Foreign Office thinking is it might be possible have GOI agree encourage Dalai Lama, if he does seek refuge in India, make public statement repudiating Sino-Tibetan agreement, but indicating his countrymen too weak resist Chinese aggression and he wld not be justified in asking them to do so; nevertheless he demonstrating his displeasure by refusing remain in his country. Foreign Office Legal Adviser has been consulted in this connection; he suggests several grounds for repudiation of agreement, preferably (*a*) it was result of duress, and (*b*) delegates exceeded their powers. There is some concern that Dalai Lama, unless he seeks competent advice, may issue ineffective statement.

3. Foreign Office would still prefer avoid introduction of Tibetan issue in UN especially now when delicate negotiations resulting from Malik broadcast[1] are in progress.

Sent Dept 6911, rptd info New Delhi 172.

GIFFORD

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[1] For information concerning the radio broadcast on June 23 by Yakov Malik, Soviet Representative at the United Nations, and subsequent developments, see pp. 546 ff.

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**794A.5 MAP/6–3051 : Telegram**

## *The Chargé in the Republic of China (Rankin) to the Secretary of State*

TOP SECRET TAIPEI, June 30, 1951—1 p. m.

1803. Deptel 1389, June 22 re Chi mil expenditures has been under careful study with fol consideration in mind.

1. While US officials here are persuaded Chi mil expenditures are in fact not satisfactorily planned or controlled it is also true such expenditures are extremely low in terms size mil estab. As MAAG probes more deeply into situation it probable that necessity larger

expenditures local currency will be established. Already increased pay and retirement benefits have been recommended by MAAG which everyone agrees essential to morale and efficiency. Question therefore arises whether until further studies made and US aid funds for FY 1952 actually appropriated how far possible go in establishing firm budgets.

2. *Aide-mémoire* as drafted formally recognizes degree US responsibility decisively greater than before. This may be only recognition actual situation but again might be affected by amount Congress appropriates for FY 1952.

3. *Aide-mémoire* correctly recognizes problems mil and civil expenditures as inseparable from standpoint any effective over-all financial control.

4. Satisfactory experience recent months with econ stability and in obtaining cooperation Chi Govt other fields suggests most effective approach present case wld be ask them propose method bringing about desired control without directly requesting joint participation. Their proposals most certainly wld include suggestion of joint participation and if not this cld be assured in subsequent discussions. This wld involve only minor changes wording *aide-mémoire* but believed important. Chi officials wld ask US reps for informal proposals in any event and I have suggested ECA consider practicability estab small Sino-US Currency Comite. This comite wld have final say in any new issues currency and govt obligations; it cld be offshoot of ESB.

On basis foregoing and assuming implications new US responsibility fully accepted fol re-draft *aide-mémoire* is proposed:

"The United States Government is engaged currently in developing programs of economic and mil assistance for Formosa and other areas in the Far East. The United States Government cannot, however, go forward with the prospect of successful implementation of the program for Formosa without assurances that the Govt of Chi will cooperate effectively in bringing its mil and civilian expenditures on the island under planned control. Therefore, the United States Government requests as a matter of urgency that the Govt of Chi formulate and propose for urgent considerations by, and discussion with, representatives of the Govt of the United States some practical procedure to accomplish this purpose. Such procedure wld assure that effective supervision and control is exercised continuously over budgeting and expenditure of resources and funds in Formosa available to the Natl Govt of Chi and to all divisions of govt, Provincial and Local, for the support of the mil estab and the civilian economy. Efficient implementation of United States economic and mil assistance programs depends, we believe, upon promptly working out the arrangements referred to above; they are a precondition for efficient application of those maximum efforts which are required to achieve a healthy econ, social and political environment on Formosa and the capability for successful military defense."

Moyer and Chase concur.

RANKIN

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ECA Telegram File : FRC Acc. No. 53 A 278 : Taipei Ecato : Telegram

### *The Administrator of the Economic Cooperation Administration (Foster) to the Embassy in the Republic of China*

SECRET WASHINGTON, June 30, 1951—6 p. m.

Ecato 611. I. The greatly increased cost U.S. aid to Formosa induced by causes of which you aware have led to decisions that ECA must at once assume greater responsibility for providing effective guidance to Chinese Govt in efficient management their economic affairs and in accomplishing increased productivity of Formosan economy.

In order promote maximum Chinese effort, ECA should impress on Chinese they must operate on assumption appropriated aid funds which may be announced for Fiscal 1952 represent maximum possible availabilities of US assistance and price for failure of Chinese realize fully their own productive potential will be paid for by Chinese in increased austerity.

The following factors fall within this enlarged area of responsibility (Recognize you are already taking action with regard some of following):

A. Utmost economic development Formosan capacity earn foreign exchange by increased productivity export products.

B. Utmost development economically feasible production for local consumption, that will lessen requirements imported products and thereby conserve foreign exchange.

C. Effective control foreign exchange expenditures, so as to lessen requirements for US dollar aid.

D. Effective control internal budgetary commitments, so as to 1) restrict or eliminate inflationary pressures and 2) lessen requirements US commodity support for anti-inflationary purposes.

E. Continued effort to prevent reduction living conditions farmers by excessive taxation.

F. Control of taxation that discourages increased investment in desirable productive enterprises or drive for increased productivity in existing enterprises.

G. Continued program to increase proportion benefits to farmers from increases in production.

H. Stimulation agricultural advances and reforms that do not result in decreasing productivity but that continue progress made in serving welfare farmers.

I. Realistic planning for use total funds derived from all sources, this planning to include capital improvement program aimed at increasing economic viability.

II. To end that necessary controls may be exercised and developments furthered, it is expected ECA Mission, fully coordinated with Embassy and, where applicable, with MAAG, will assume following responsibilities in addition its regular program operations:

A. Exert its influence vigorously and firmly with and through all necessary agencies of Chinese Natl Govt and provincial govt to improve policies and practices in fields fiscal administration, export and import controls, taxation, budget preparation and controls, and all related matters; and exert vigorous efforts to end of proper and effective use of Chinese revenues from all sources coordinated with the most effective utilization American aid.

B. Vigorously attack problem of overhead and problem of efficiency operations in all govt-controlled industries and insist upon reforms where necessary.

C. Insist upon maintenance JCRR program of upholding improved status of farmers and progressing further in agricultural reform, rural credits, etc. Formosa must be example of what good government backed by American aid can do for Asiatic peasant.

D. Maintain intimate relations with MAAG as well as Embassy to assure mutual support for consistent US policies and exercise of coordinated pressures.

III. MAAG guidance and direction Chinese military expenditures is essential part in over-all control.

IV. We do not think at this time this extension ECA influence requires formalization any new relationship US Govt with ChiGovt. Most important evidence US purpose depends on united front of Embassy, MAAG and ECA. Degree to which effective direction Chinese affairs will be afforded depends upon your exercise tact, perseverance and firmness and in causing Chinese to adopt these plans and directions as their own. By "direction" in foregoing we mean providing vigorous, clear and persuasive guidance. Such guidance to be undertaken by some practical method whereby competent American authority may exercise, jointly with responsible Chinese military and civilian officials, effective supervision over budgeting and expenditure of Formosan resources and funds for support of military establishment and civilian economy. Exercise greater authority would however entail outright assumption responsibility for Formosa which would conflict with basic US policies both with respect to Formosa and Far East as a whole. Our job, in short, is to cause Chinese on Formosa to undertake to do for themselves what is essential for their survival as strong, ultimately self-supporting part of Free World. (Separate cabie follows re staff to implement above.)[1]

FOSTER

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[1] Not printed.

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793B.00/7-251 : Telegram

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, July 2, 1951—8 a. m.

4. Notes re three conversations which Thacher had in Kalimpong last week with Shakabpa brought here by Linn[1] who just completed quick trip to Kalimpong at Emb's request.

Notes being pouched today. Most interesting feature is that on 26th Shakabpa told Thacher he had recd and already answered five questions from Tibetan Govt, as fols:

1. Whether GOI wld allow Dalai Lama to transit India "en route to USA".
2. Whether US aid wld be restricted to "assisting Dalai Lama's flight" or whether aid might also be forthcoming for resistance.
3. Whether US aid wld be given "openly or surreptitiously".
4. Whether US Govt wld give any assistance if Tibetan Govt shld announce its acceptance Sino-Tibetan Agreement.
5. If Dalai Lama shld go to USA, how wld he be recd?

Thacher states replies which Shakabpa told him he had made to foregoing questions seem accurately to reflect US Govt's position as previously communicated to Shakabpa. Implications of fourth question are, however, extremely disturbing. Shakabpa, who seemed personally aware of dangers of cooperating with Chi Commies, told Thacher he knew of no plans in this connection. However on June 29 when discussing same point, Shakabpa expressed opinion not over 50 percent of Tibetan officials had clear understanding of implications of present situation faced by Tibetan Govt.

In his conversations with Tibetans, Thacher has evidently reiterated US position skillfully and Shakabpa has given repeated assurances he has made forceful representations to Yatung. Shakabpa appears to have been unable, however to persuade Dalai Lama to act and Thacher has clear impression that Tibetan Govt unable make up its mind.

In discussing proposed US Govt statement, Shakabpa emphasized that since Tibetans had never recognized Chinese suzerainty, he hoped our statement wld not mention suzerainty in any way. As Thacher requests instrs on this point, comments of Dept or Emb wld be welcome.[2]

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[1] Robert H. Linn, Consular Attaché at Calcutta.

Sent Dept 4; rptd New Delhi 4.

**WILSON**

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[2] The Department replied in telegram 4 to Calcutta, July 3, 1951: "Dept does not wish to commit itself on what it may or may not say re legal status Tibet. If Shakabpa shld press suzerainty point, he cld be merely told that his views had been made known to this Govt." (793B.00/7-251)

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793B.00/7-251

## *Memorandum of Conversation, by the Deputy Director of the Office of Chinese Affairs (Perkins)*[1]

TOP SECRET [WASHINGTON,] July 2, 1951.

Subject: Tibet

Participants: Mr. B. A. B. Burrows, Counselor, British Embassy
Mr. R. H. Belcher, First Secretary, British Embassy
Mr. Livingston T. Merchant, FE
Mr. Donald D. Kennedy, SOA
Mr. Howard Meyers, UNP
Mr. Troy L. Perkins, CA

Messrs. Burrows and Belcher of the British Embassy called on Mr. Merchant today at their request to discuss Tibet. In response to Mr. Burrows' general query, Mr. Merchant briefly sketched the background of our thinking and gave an account of our recent relations with the Tibetans along the lines which had been given to the UK High Commissioner in New Delhi by our Chargé.

The discussion brought out that the British were concerned with bringing the Indian Government more into the picture, particularly as regards any moves the U.S. Government might make or contemplate making. Mr. Burrows made the point that the Indian Government might be useful in the very aims which we wished to achieve, and that, contrarily, if the Indians were left without any knowledge of such matters as a statement to be issued by the U.S. or our support of a UN appeal, their attitude might actually be adverse; thus the Indians might help if their cooperation was enlisted and they might definitely hinder our efforts if it was not. Mr. Burrows, evidently acting under instructions, made it fairly clear that the British Government's attitude and action toward the Tibetan question, including the possible repudiation by the Dalai Lama of the Peiping agreement, would likely closely follow the lead of India (whether or not India had first been brought into the discussions).

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[1] From June 27, 1951, until March 1952, Mr. Perkins acted unofficially as the Director of the Office of Chinese Affairs. The director of the office, Oliver Edmund Clubb, and John Paton Davies of the Policy Planning Staff were suspended on June 27, 1951, pending hearings by the State Department Loyalty Security Board. The Department announced on July 30 that Davies had been cleared and returned to active duty; his domestic tour of duty was to expire the following month and he was then scheduled for assignment to Bonn. On March 5, 1952, Secretary Acheson told a press conference that the Board had determined that Clubb was a security risk; he had appealed his case to the Secretary who had overruled the Board's finding and reinstated him, and he had subsequently resigned. For the text of the Department's announcements concerning the two cases, see the Department of State *Bulletin*, July 23, 1951, p. 150, and August 13, 1951, pp. 278–279; for text of Secretary Acheson's comments, see *ibid.*, March 17, 1952, pp. 437–439.

The British representatives also pointed out the importance of timing, particularly as related to the Korean armistice negotiations before us. Mr. Merchant assured them that we had this very much in mind, and it was pointed out that we had freedom of action both as to the timing and the scope of any comments we might make if the Dalai Lama decided to disavow the agreement. It was noted that the question of the support this Government would give the Tibetan case in the UN would depend on the type of appeal made by the Tibetans and in the light of the fact that the interests of many other member nations besides our own were involved.

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**793B.00/7–351 : Telegram**

### *The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, July 3, 1951—1 p. m.

13. On afternoon July 2 Taktser Rimpoche sent us word . . . that in reply to his June 28 tel to Dalai Lama urging action by Tib Govt (Contel 5 July 2)[1] he had just recd tel from DL advising him not to leave India just now. In view urgency of matter I asked . . . arrange immediate interview with Taktser. Latter told me he had made up his mind proceed USA regardless DL's advice and wld tele DL was doing so. Said he wld also urge DL (1) leave Tibet at once and (2) publicly disavow Sino-Tib agreement.

Taktser, who seemed have quick grasp of issues involved, declared he thought reported decision DL receive Chi del in Yatung (Contel 7, July 2)[2] made it all more necessary for him (Taktser) proceed to USA. Taktser reasoned that if, as appeared likely, situation in Tibet shld deteriorate in near future and especially if DL should lose his freedom of action, it wld be important for Tibs to have Taktser in Washington where he cld maintain contact with US Govt. He thought DL wld probably agree when informed of decision to continue trip.

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[1] Telegram 5, not printed, reported that the Consulate General had sent word to Taktser that the arrival of the Chinese and Tibetan Delegations in Calcutta had increased the urgency of prompt action by the Tibetan Government; Taktser had disclosed that on June 28 he had sent a telegram in code to the Dalai Lama summarizing his conversations with U.S. representatives and urging action by the Tibetan Government (793B.00/7–251).

[2] Telegram 7, not printed, reported that Thacher had learned that the Dalai Lama planned to have discussions with the Chinese Delegation in Yatung before issuing a statement or coming to India and that the Chinese Delegation would get a friendly reception in Yatung (793B.00/7–251).

Taktser said that on previous evening he had private conversation with [name deleted] . . . . [Name deleted] had told him Tib del had been forced sign agreement on Chi terms and had been denied opportunity refer to DL for instrs. They had been told to sign or "there wld be war". [Name deleted] had also told Taktser that throughout stay in China they had been "as in an iron box" and had been continuously watched and followed. They had seen Mao but not Chou. [Name deleted] was evidently disturbed re consequences their action. Later Taktser had recd call from all four Tib delegs who had anxiously queried him as to probable reaction in Yatung. He had not seen Chi del.

Re apparent decision DL await Chi del in Yatung Taktser commented this probably due to desire avoid embarrassment meeting along road from India to Tib. He understands Chi and Tib dels leaving Kalimpong for Tibet July 11.

Sent Dept 13 rptd info New Delhi 11.

Wilson

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793B.00/7-1551 : Telegram

## *The Secretary of State to the Embassy in India*

TOP SECRET PRIORITY WASHINGTON, July 3, 1951—7 p. m.

13. Reur 2, rptd Calcutta 1.[1] Dept believes Korean cease-fire developments make desirable Dept retention maximum flexibility re tone and timing our reaction to any Tibetan appeal to UN. This particularly true because complexity UN hearing Tibetan appeal maximizes importance reaction of other UN members to appeal. (See Deptel 2051 to Delhi, 2 June, numbered para 1.)

You therefore authorized suggest Tibetans that if Sino-Tibetan agreement rejected it wld be useful and desirable await Chi Commie reaction before appealing UN; that this suggestion not intended discourage action this regard Tibetans may consider rightful, but plain evidence Chi intention pursue aggressive course despite public assertion Dalai Lama's views wld give added force to UN appeal.

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[1] Steere reported in telegram 2 that during his recent talks with British High Commissioner Nye, they had agreed that, because of Korean developments, it was an inopportune time for a Tibetan appeal to the United Nations, but that it would be unwise to suggest this to the Tibetans. Steere continued that he thought it might be advisable to suggest to the Tibetans that after repudiating the Sino-Tibetan agreement, they should wait to learn the Chinese reaction before appealing to the United Nations; perhaps Tibetan autonomy could be preserved by further negotiations, or, "If Chi persist in carrying out occupation then Tib has strongest possible case for appeal to UN and shld do so at once." (793B.00/7-151)

Dept dubious validity or usefulness argument that Tibetan autonomy might be retained by further negots. Re last sentence second para reftel, Tibetans shld not be given view of strength their case for appeal to UN or advice as to timing more explicit than that set forth above.

ACHESON

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794A.5/7-651

## *The Chargé in the Republic of China (Rankin) to the Department of State*

SECRET TAIPEI, July 6, 1951.

No. 8

Subject: Initial MAAG Recommendations Submitted to Generalissimo Chiang Kai-shek

The attached Report and Recommendations by Major General William C. Chase, Chief of the MAAG, dated June 15, 1951,[1] and handed to Generalissimo Chiang Kai-shek in Chinese translation a few days later, respond to a request made by the Generalissimo when General Chase first arrived in Taipei. This report should be considered in conjunction with a MAAG telegram of June 29 (MG 7130)[1] to the Secretary of Defense, which reported further details in the same connection.

The Report and Recommendations, which had previously received my concurrence and that of the Chief of the ECA Mission, were first handed by General Chase to General Chou Chih-jou, Chief of the Chinese General Staff, who reviewed them, had a translation prepared, and transmitted the original and translation to the Generalissimo as Commander-in-Chief of the Armed Forces. Before the translation was sent to the Generalissimo, however, it was reviewed by American officers with a knowledge of Chinese and found to be accurate.

After the Generalissimo had studied the Report and Recommendations, a conference was arranged for June 27 in the Generalissimo's office. Those attending, besides the Generalissimo, included General Chou Chih-jou, Director-General Wang Shih-chieh, Dr. Moyer of ECA, General Chase of MAAG and myself. Dr. Shen Chang-huan, the Government Spokesman, acted as interpreter.

General Chase reviewed and added explanatory remarks to various points in this report. There seemed to be agreement in principle on all recommendations in so far as their implementation lies within the province of the Chinese Government. Toward the end of the conference, which lasted for an hour and a half, the Generalissimo asked me whether I had any further comments to make. I remarked that while agreement had been expressed on virtually every point which came up for discussion, the Generalissimo at the outset had indicated that there were some points on which he disagreed. I inquired whether he wished to discuss these on the same occasion. He replied that he would deal with them in a written communication. I then said that any suggestions we were making to the Chinese Government, whether in military or economic fields, were intended to improve the effectiveness of the Chinese military establishment and to contribute to the economic well-being of the people of this island—not for doctrinaire political reasons.

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[1] Not printed.

Shortly after the above conference General Chase received the following letter dated June 27, 1951:

> Dear General Chase: Receipt is hereby acknowledged of your Report of Observations and Recommendations dated June 15, 1951. Since your arrival in Taiwan on May 1, you and members of the MAAG, in spite of inclemency and extreme heat of the weather, have not spared yourselves in visiting and observing all branches of our armed services. The tireless devotion to duty and the whole-hearted cooperation demonstrated by your good self and members of your staff are very much appreciated by me personally. With the exception of the parts dealing with political workers and the Combined Services [2] which are features particularly demanded by the circumstances of the day, I agree in the main with your observations and recommendations. I have therefore asked General Chou Chih-jou to study carefully in consultation with you the concrete measures that should be adopted to implement your recommendations. I am confident that the timely and effective implementation of your recommendations will go far in contributing to the realization of our common aims.
>
> Sincerely yours, /s/ Chiang Kai-shek

Presumably this letter had been drafted prior to the conference.

The Generalissimo's deliberate avoidance of any discussion of topics where important differences of opinion evidently exist, while at the same time maintaining his position on these points, appears to be the opening move in a renewed Sino-American contest over the manner in which American military aid is to be utilized. The differences over Combined Services may prove less important than the Generalissimo apparently had feared, since the MAAG desires only to improve the effectiveness of this organization—not to abolish it. The question of political commissars, however, lies close to the center of the gap which separates American and Chinese thinking in a field at once ideological and practical. It is intended to pursue this matter firmly and consistently on the practical basis of establishing the authority of military commanders in a degree commensurate with their responsibilities and, in general, promoting morale and mutual confidence. Unquestionably the Chinese Government must have means of coping with subversion and espionage among both the Armed Forces and the civil population. There must also be appropriate provision for indoctrination and morale building among the troops in particular. However, informed Americans and many if not most Chinese military officers consider the present methods used in both fields to be seriously defective. With the possible exception of the actual apprehension of spies, it seems likely that more harm than good is being accomplished as regards the effectiveness of the military establishment. (See Embassy's despatch No. 4 of July 2, 1951, entitled "Chinese Government Training Schools for Government and Military Personnel".)[3]

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[2] The relevant paragraphs of General Chase's report read as follows:

"9. The present supply system under a Combined Service Force, is a highly centralized 'Empire', guilty of hoarding much matériel presently needed by the troops for training and operations. The Divisions have to go back to rail-heads and bring up their supplies on the backs of their men.

"10. There is, throughout the Armed Forces, a highly objectionable system of Political Commissars, that acts to penalize initiative and under-mine the authority of commanders of all echelons."

K. L. RANKIN

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[3] Not printed.

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793B.00/7-351 : Telegram

*The Secretary of State to the Embassy in India*

TOP SECRET PRIORITY WASHINGTON, July 6, 1951—4 p. m.

38. Re Embtel 52, Jul 3.[1] Dept concurs ur views re advantage at this point giving Brit fuller info which we may obtain, so far as this can be done without jeopardizing our freedom of action or impairing conf relationship with Tibetans. You may pass substance 3d para Calcutta's 13, Jul 3, info New Delhi 11 to UKHC, as well as GOI. Dept will pass same to Brit Emb here, plus brief info re Takster's journey to US. In future it wld be desirable that release such info be made by ur Emb, in view time element and in order that clear record can be had precisely what info Brit being given. As Brit will probably expect us to pass same info to GOI, you shld bear this in mind, although using ur own discretion as to release to latter Govt.

ACHESON

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[1] The reference telegram, not printed, stated that Steere thought the time had come when it might be advantageous to inform the British more fully about U.S. discussions with the Tibetans, particularly the contents of telegram 13 from Calcutta, July 3, p. 1729, and future related developments (793B.00/7-351).

793B.00/7-851 : Telegram

### *The Chargé in India (Steere) to the Secretary of State*

TOP SECRET PRIORITY NEW DELHI, July 8, 1951—8 p. m.

101. Throughout current discussions with Tibetan officials (Deptel 42, July 6)[1] Emb and ConGen have been greatly hampered by lack secure means communication with Dalai Lama. Latter who is literally God-King is almost inaccessible except to certain traditional advisers and certain members family. Shakabpa and Taktse both left Yatung prior Peiping announcement re conclusion Sino-Tibetan agreement. Written communications are couched in generalities lest they fall into unfriendly hands and are usually carried by runner. In spite this archaic situation, Emb convinced that Dalai Lama has now recd substance US position and that there probably has been no real shift his attitude.

Emb believes Dalai Lama's presently reported attitude is probably combination fol:

1. Policy temporization (as has been case since June 1950) including reception Chi del, further talks and possible postponement implementation agreement in hope other international developments such as Korea will prevent Chinese absorption Tibet. Such policy wld likely be advocated by: Tibetan nobles and clergy to whom resistance wld seem certain result loss their wealth and poverty in India, whereas compliance might hold or restore wealth in Lhasa; and by Tibetan officials many of whom likely ready appease Commie China.
2. Duress. Emb cannot prove but believes Taktse, although apparently fearful, wld not openly disobey brother's command by leaving for US unless some secret understanding between them existed. Emb inclined believe Dalai Lama under duress. Previous statements by Tibetan official in India, their communications from Dalai Lama and ltr carried by Taktse indirectly support this thesis as does the rather sudden change in tenor reports from Yatung.

In addition info originally supplied Shakabpa (Embtel 3576, June 11) Emb has communicated further info as subsequently instructed by Dept through both Shakabpa and Taktse and has also summarized in writing through Taktse and another means as indicated in Embtel 3764, June 24.[2] ConGen reports latter info should have reached Dalai Lama about July 6.

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[1] Telegram 42 to New Delhi, repeated as number 9 to Calcutta, not printed, asked the Embassy and Consulate General to comment on the Dalai Lama's apparent shift of attitude and asked if they had any suggestions for a future course of action (793B.00/7-351).

[2] Telegram 3764, not printed, stated that the Embassy had some doubts whether the information previously given Liushar and Shakabpa had reached the Dalai Lama and was therefore forwarding the substance of the information to the Dalai Lama through "other sources" (793B.00/6-2451). See despatch 70, July 11, p. 1743.

Meanwhile, Emb has scheduled fuller discussion with British (Deptel 38, July 6) in hope they will be willing take some helpful action and at least will urge GOI communicate offer of asylum to Dalai Lama. Emb has also taken action reported in Embtel 100, July 8[3] re Tibetan del members. Pending results from foregoing Emb believes developments at Yatung may only be awaited.

Sent Dept priority 101, rptd info Calcutta 17.

STEERE

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[3] Telegram 100, repeated to Calcutta as number 16, instructed the Consulate General to suggest to Shakabpa that one member of the Tibetan Delegation returning from Peking should remain in Kalimpong, so that he could, if necessary, inform the world that the Sino-Tibetan agreement had been obtained under duress; another member of the delegation should be requested to carry oral messages to the Dalai Lama concerning the importance of his denunciation of the agreement and the necessity of his departure for India (793B.00/7-851).

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793B.00/7-951: Telegram

### *The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, July 9, 1951—3 p. m.

28. We concur Emb's comments (Embtel 101 July 8 in reply Deptel 42 July 6)[1] re present attitude Dalai Lama but wld make fol additional points:

(1) Takster Rimpoche left Yatung after announcement Sino-Tib agreement which he discussed there with DL (see ConGen's desps 617 June 25 and 625 June 28).[2]

(2) Message sent Takster by DL re visit to USA (Contel 13 July 3) was not a command. As explained to us by interpreter, msg was not couched in imperative terms but was rather expression of preference on part DL. This accounts to some extent for willingness of Takster disregard brother's advice. Fears for his personal safety also undoubtedly contributed to decision. We question existence of secret understanding suggested by Emb.

(3) Predictions made in Contel 541 June 26 re probable future action by DL and Tib Govt represent accurate summary statements made to us by Takster. Our impression is Takster sincerely believed at time that DL wld act but that subsequent lack of action made him less optimistic (see first para Contel 16 July 3[3] conveying his view that DL surrounded by Commie sympathizers and agents who might obtain control at any time).

. . . . . . .

(5) We suggest fol as specifications US Govt might take (last para Deptel 42): (*a*) request Takster on arrival in Wash to send another

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[1] See footnote 1, *supra*.
[2] Neither printed.
[3] Not printed.

msg to DL (which we cld transmit) stressing co-op attitude shown him by GOI and US Govt and reiterating advice that DL issues statement wld leave Tibet; (*b*) furnish Tibs more detailed statement proposed US financial and mil aid; and (*c*) make formal reply to ltr from DL which Takster is carrying.

Re (*b*) above, Thacher, who just returned from Kalimpong, reports Shakabpa asked him obtain confirmation Tibs understanding that US Govt wld provide air transportation from India to Ceylon or other point of refuge for DL and party if they leave. ConGen wld appreciate instrs on this point.

Sent Dept 28, rptd info New Delhi 29.

WILSON

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## *Editorial Note*

On July 10, Lieutenant General Matthew B. Ridgway, Commander in Chief of the United Nations Forces in Korea, met with representatives of the Chinese and North Korean forces in Korea at Kaesong, to begin discussions intended to bring about an armistice. For documentation concerning the talks at Kaesong and the developments leading to their initiation, see pages 636 ff.

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**793B.00/7–1051 : Telegram**

### *The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET CALCUTTA, July 10, 1951—3 p. m.

31. Re Contel 13, July 3. Our desp 8, July 9[1] gives further details of experiences Tibet del China as related to Thacher in Kalimpong by Shakabpa.

Mtgs with Chinese largely taken up by aggressive statements Chinese intentions toward Tibet. Little opportunity given Tibetans present their point of view. Finally Tibetans agreed accept Chinese terms for del only, warning Chinese they not assenting for Dalai Lama or Tibetan people.

Chinese treatment del apparently created strong antagonistic feeling among Tibetan delegates. Shakabpa believed little chance delegates wld try persuade Dalai Lama accept Chinese terms. Ngapho Shape, leader of del, now returning Lhasa overland has sent word to Tibetan Govt not allow its actions be affected by fears for his safety.

Shakabpa told Thacher on July 6 he had not relayed Yatung Dept's suggestion communicated to him ten days earlier that Dalai Lama consider refuge Thailand. Shakabpa cited following three objections which we believe may well occur to other Tibetan officials and Dalai Lama:

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[1] Not printed.

(1) Thai Govt in apparently unsettled condition;
(2) Large Chinese minority Thailand;
(3) Geographic proximity Thailand to China. After Thacher's reiteration our reasons preferring Thailand, Shakabpa promised forward suggestion Yatung.

Shakabpa stated he had urged Tibetan Govt take early steps inform GOI Tibetan's dissatisfaction Peiping terms and possibility Tibet might seek assistance from GOI and other countries but no action yet taken this direction.

Sent Department 31, rptd info New Delhi 32.

WILSON

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793B.00/7–1051: Telegram

*The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NEW DELHI, July 10, 1951—6 p. m.

129. During past few days Emb has had number conversations with Brit and Ind officials [1] on basis which Emb feels warranted stating it has reason believe GOI wld be willing grant asylum to Dalai Lama and wld also grant transit to Dalai Lama en route some other country in event some unforeseen development shld make it undesirable for Dalai Lama remain India.

Emb understands GOI has not taken initiative in so informing Tibs because view that it is for Tibs to take first step and we believe GOI wld not take first step lest such action leak to Commie Chi and incur their displeasure. Emb believes, however, that if Tibs themselves take initiative in approaching GOI, latter's response wld be immediate and favorable.

Emb requests Linn [2] inform Shakabpa re foregoing with suggestion it wld be wise for Shakabpa soon sound out GOI re asylum. Else Shakabpa might request one member Tib del returning Yatung to inform Dalai Lama re foregoing with request for instructions permitting Shakabpa take preliminary steps with GOI for asylum in India even if entry shld be delayed or not subsequently required.

Sent niact Calcutta 21, rptd info Dept 129.

STEERE

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[1] Telegrams 127 and 130 from New Delhi, July 10, 1951, neither printed, reported conversations with Nye and Dutt.

[2] Linn had gone to Kalimpong to replace Thacher.

INR–NIE Files

## *National Intelligence Estimate*

TOP SECRET WASHINGTON, July 10, 1951.

NIE–32

## EFFECTS OF OPERATIONS IN KOREA ON THE INTERNAL SITUATION IN COMMUNIST CHINA [1]

### THE PROBLEM

To estimate the effects of the Korean operations upon the *internal* political, economic, and military situation of the Chinese Communist regime.*

### CONCLUSIONS

1. We estimate that:

*a.* During the Korean war increasingly drastic control measures have been instituted and there has been an intensification of popular dissatisfaction; to date the Chinese Communist regime has shown ability to control the population and check the development of an effective opposition.

*b.* While the Korean war has not yet posed a critical threat to the economic stability of the Chinese Communist regime, the war has subjected and will continue to subject the regime to increasingly serious economic difficulties. These difficulties are almost certain to increase during the next year if Western trade restrictions are rigorously applied.

*c.* The Chinese Communist regime is unable to replace from its own resources the stocks of matériel now being expended in Korea.

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[1] According to a note on the cover sheet, "The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 5 July. See note of Director of Intelligence, USAF, on page 1."

*The Director of Intelligence, USAF, believes it necessary to emphasize that this estimate excludes such broad and significant considerations as the effects of Korean operations upon the *external* position of the Chinese Communist regime. These considerations include:

*a.* The effect of the Korean war in denying Taiwan to the Chinese Communists.

*b.* The effect of the strong anti-Communist military reaction in Korea on any plans that the Chinese Communists may have had for aggression into Southeast Asia.

*c.* The creation of a security threat to the Chinese Communists on their northeastern frontier where none existed before the Korean operations.

*d.* The development of tensions between the Chinese Communists and the Soviet Union over Communist leadership in Asia.

*e.* The dramatic demonstration to the world of the error of any assumption of Communist invincibility and infallibility.

*f.* The progressive loss of non-Communist sympathizers among foreign governments and peoples, including the British. [Footnote in the source text.]

*d.* During the Korean war the size of the Chinese Communist military establishment has been increased.

*e.* By reason of personnel losses alone, the over-all military strength of the Chinese Communists has probably not been seriously affected.

*f.* However, deployment to Korea and Manchuria of major portions of their best forces, increased internal police requirements, and the logistic strain of the Korean war have reduced present Chinese Communist capabilities for additional external military operations.

*g.* The Korean war has increased the dependence of the Chinese Communists on the USSR, but apparently has not materially changed Sino-Soviet relations. There are areas of conflicting interests which make rumors of mutual dissatisfaction plausible, but we have no firm evidence to substantiate these rumors.

*h.* The Korean war has placed strains upon the internal political, military and economic position of the Chinese Communist regime. While these strains have not yet become critical, they may well become so if the war is prolonged.†

## DISCUSSION

### I. *Effects on Chinese Communist Political Stability*

2. We have no reliable evidence that reverses in the Korean war have created a rift among the higher Chinese Communist political and military leaders. Rumors suggest, however, that dissatisfaction with the course of events in Korea may have accentuated differences of view that already existed among them. There is fairly reliable evidence that military and political figures of secondary importance have become uneasy over China's involvement in Korea and its isolation from the West. On the other hand, several factors have tended to insure party solidarity, such as the lifelong isolation from non-Communist Western influences and the common ideological conditioning of most Chinese Communist leaders, the mutual interest they have in maintaining a united front among themselves and with the Soviet Union, and the strength of party discipline.

3. The initial Chinese popular reaction to intervention in Korea appears to have been one of pride in victory, and even the later holding actions were viewed as triumphs when compared with the long series of Chinese humiliations in the past. As the war has gone on, popular dissatisfaction with the regime, already in evidence before

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† We have re-examined the Conclusions of this paper with reference to the Malik statement and do not find that his statement in any way affects the validity of this paper's Conclusions. If the USSR and Communist China do, in fact, desire a cease-fire along the 38th Parallel, they are probably motivated by considerations which include the military situation of Communist forces in Korea but which undoubtedly also take into account important factors above and beyond the scope of this paper. [Footnote in the source text.]

the struggle began, has been intensified by heavier taxes and levies in kind, increased conscription and militia duties imposed on an already war-weary people, purges, further disruption of the traditional Chinese family system, and other harsh repressive measures. In addition, there is evidence from reliable sources that among certain of the more educated groups, including some ardent supporters of the regime, misgivings have developed about the regime's relations with the USSR and the USSR's intentions with respect to China and Korea.

4. The decline of popular support and the apparent necessity to impose greater restrictions and demands upon the home front have resulted in the regime's speeding up its efforts to consolidate further its control of the country. Terroristic measures to suppress "counterrevolutionary activity" have been reinforced by positive steps to strengthen the public security system, to centralize and expand militia units, and to increase membership in the Communist-directed "people's organization." The regime has also been required and probably will have to continue to maintain large military forces within China to assist in preserving order. While the control measures have thus far been successful in checking the development of an effective opposition, their harshness has lost to the regime the willing cooperation of at least some community leaders, educators, engineers, and others whose prestige, training, and technical skills the regime has regarded as essential to the furtherance of longer range political and economic planning. In the long run, these developments might have serious effects on the stability of the regime.

## II. *Economic Effects of the Korean War*

5. There is insufficient evidence upon which to base a complete estimate of the effect of the Korean conflict on the Chinese Communist economy, which, though it has to support an urban population of over 60 million, is undeveloped industrially and preponderantly agrarian. It is entirely possible that any such effect would not be apparent within as short a period as has elapsed and it is improbable that satisfactory statistical evidence of such effects would be quickly or readily available to us.

6. It seems almost certain that the demands of the Korean war have limited the Peiping regime's reconstruction efforts to those projects requiring only the investment of labor, such as the building of dykes, irrigation systems, airfields, and roads.

7. Although the regime has been successful in preventing the prices of domestic goods from rising sharply, inflationary pressures have built up since mid-1950, and Western trade restrictions and rising world prices have resulted in precipitous price rises for certain imported strategic raw materials and manufactured products.

8. Foreign trade with the West was at high levels in 1950. We estimate that during the first quarter of 1951 this trade at least remained at the 1950 levels, primarily because of the sharp increase in imports chiefly of strategic materials through Hong Kong. Data on Western flag shipping with Hong Kong and Chinese Communist ports since 1 April indicate that such shipping has fallen off significantly and we believe that the volume of trade has correspondingly declined. We believe that Western trade restrictions are almost entirely responsible for this decline in shipping and that these restrictions will have an increasingly adverse effect on Communist China's import capabilities during the remainder of the year. Smuggling and trade from Communist and non-Cooperating non-Communist nations will probably increase and will offset to some extent the effect of these restrictions.[3]

9. Since the industrial sector of the Chinese Communist economy operates virtually on a day-to-day basis, both in terms of raw materials and plant maintenance, effective curtailment of imports is likely seriously to affect Chinese Communist industry. There have been shortages for some months of petroleum for civilian use and of certain fairly important specialized industrial items. Very recently as a result of raw cotton shortages textile mills have shut down. The Communists assert that they are related to import difficulties as well as to the failure of the cotton collection program in China itself. However, we believe the munitions industry, in spite of reports of plant dispersals and raw materials shortages, is producing at capacity and expanding.

10. During the large initial troop movements northeastward in the summer and autumn of 1950, there were serious interruptions in the rail movement of non-military goods throughout China. Since that time, although military traffic has presumably interfered with the general distribution of goods throughout China, and particularly in Manchuria, and although there have been recent indications of delay in the movement of individual non-military shipments, there is no

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[3] A memorandum dated November 21, 1951, stated that all members of the Intelligence Advisory Committee had on that date agreed on the following substitute for paragraph 8:

"The foreign trade of Communist China with the West was at high levels in 1950. During the first half of 1951, this trade at least remained at, and probably was higher than, 1950 levels, primarily because of the sharp increase in imports, chiefly of strategic materials, through Hong Kong."

A footnote to the quoted text read as follows:

> "More stringent Western trade restrictions were applied to trade from Hong Kong to Communist China in June 1951, too late to affect trade for the period of this estimate. The course of trade between the West and Communist China for the months after June 1951 will be examined in SE-20."

SE-20, December 22, is not printed.

evidence that the aggregate volume of traffic outside Manchuria in essential non-military items has been sharply curtailed.

11. The diversion of draft animals and manpower to military purposes has impeded agricultural production in China, but the country is not likely to face a critical over-all food situation in 1951.

12. Although such evidence as we have does not suggest that the Korean conflict has as yet posed a critical threat to the economic stability of the Chinese Communist regime, the Korean war has forced the Chinese Communists to modify their program of long range economic development and to place their economy on a war footing, has subjected the nation to economic sanctions imposed by the Western world, has increased inflationary pressures, and has strained the economic relations between urban and rural areas. These factors are likely to increase the economic difficulties of the government during the next year.

13. The Korean war has increased Peiping's present economic dependence on the USSR from two points of view. In the first place, we believe that the Chinese Communists do not have the industrial resources to meet their requirements for continued operations on the scale of the Korean campaign over an extended period for even the type of military equipment now being used by them in Korea. In the second place, the increased East-West tension that followed the outbreak of hostilities in Korea is resulting in more effective Western trade restrictions.

### III. *Military Effects of Korean War*

14. The Korean war has resulted in the deployment of major portions of Communist China's best military forces in Korea and/or Manchuria. Supply requirements of the war are taxing heavily Communist China's limited logistic capabilities. In addition, guerrilla activity and increased unrest have required the commitment of large military forces within China for the maintenance of internal security. We estimate, therefore, that present Chinese Communist capabilities for military operations elsewhere have decreased as a result of their participation in the Korean war.

15. The Chinese Communists had an estimated 277,000 troops deployed in Korea on 19 June 1951. In addition, it is estimated that they had 11 armies and elements of 4 armies and special units in Manchuria totalling 358,000 men. These units constituted a major portion of their best forces.

16. Chinese casualties in Korea are estimated to have been 577,000 as of 16 June 1951, including roughly 73,000 non-battle casualties and 16,500 prisoners of war. Among these casualties have been an undetermined but considerable number of the better trained and politically

more reliable troops, including officers and non-commissioned officers who will be especially hard to replace. There are indications that the units committed earlier were of a higher caliber than those recently encountered by the United Nations forces. Morale appears to be lower among Chinese forces in Korea than it was initially and the rate of capture of prisoners of war has increased greatly. However, Chinese Communist personnel losses in Korea probably have not yet seriously affected their over-all military strength.

17. Despite heavy losses, the total estimated strength of the Chinese Communist Field Forces increased from 1,770,000 on 1 October 1950 to 1,947,000 on 9 June 1951. Military District units and the Militia have also been strengthened.

18. Losses of matériel in Korea have been considerable. Most of the equipment which was not Chinese-made was of US and Japanese origin. Communist China's output of high explosives and military equipment, including artillery, is insufficient to keep up with the expenditures and losses of matériel in Korea and Communist China has no motor vehicle and aircraft industries. Consequently, as the original stocks become depleted, the Peiping regime is becoming increasingly dependent upon the USSR for logistic support.

19. Relatively few Soviet ground force weapons and little ground force equipment have been found in the hands of Chinese Communists in Korea. There are a number of fairly reliable indications, however, that tanks and heavy equipment are being supplied and that some training in their use is being afforded to Chinese Communist units in Manchuria; additional reports, probably with some basis in fact, state that the Soviets have agreed to equip and train Chinese Communist divisions. We estimate that there are 10,000 Soviet military advisers throughout China, and that there are some 3,000 such advisers with the Communist forces in Korea.

20. The Chinese Communist Air Force has been steadily expanded, especially by the addition of jet fighters supplied by the USSR. The Chinese Communists, with a total of approximately 1,000 aircraft available to them, now possess a far greater air capability than they had at the outset of the Korean operation.

21. The USSR has provided almost all the aircraft, aviation equipment, and supplies now available to the Chinese Communist Air Force, and there is substantial evidence that it is now supplying the CCAF with radar, antiaircraft equipment, and technical personnel. It is probable that Soviet or other non-Chinese "volunteer" personnel are operating many of the aircraft currently available to the Chinese Communists.

22. The USSR has provided the Chinese Communist Navy with

advisers, technicians, and training personnel, and possibly a few old submarines of the smaller types.

### IV. *Effects on Sino-Soviet Relations*

23. Official pronouncements and propaganda indicate no appreciable friction between Communist China and the USSR, but on the contrary suggest that the coordination of foreign policy and propaganda and of military, economic, and social planning between the two countries has continued and perhaps increased during the Korean War. However, reports from sources of unknown reliability indicate dissatisfaction on the part of both Soviets and Chinese with the Sino-Soviet alliance. As there would appear to be many areas of conflicting interest and potential friction between the Chinese Communist and Soviet regimes, including possible rivalry for control of Korea, these indications are not inherently improbable. Any genuine Sino-Soviet friction would doubtless be concealed as long as possible.

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793B.00/7-1151

## *The Chargé in India (Steere) to the Department of State*

TOP SECRET AIR POUCH NEW DELHI, July 11, 1951.

No. 70

Subject: Transmitting copy of Document recently forwarded to Dalai Lama at Yatung

I have the honor to refer to the Embassy's telegrams No. 3764 of June 24 and No. 101 of July 8, 1951 [1] with respect to Tibet and to enclose a copy of a document which was recently forwarded to the Dalai Lama at Yatung.

This document was drawn up toward the end of June for the purpose of transmitting to the Dalai Lama a concise and clear statement of the attitude of the United States toward the various problems confronting Tibet. For reasons of security, the document is neither addressed to the Dalai Lama nor signed by an American representative. It contains no reference to the United States. Arrangements were made, however, by which the Dalai Lama was informed of its origin.

It is believed that this document as well as later information regarding the extent of American assistance for Tibet reached the Dalai Lama about July 6.

LOYD V. STEERE

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[1] For text of telegram 101, see p. 1733; see footnote 2 thereto regarding telegram 3764.

[Enclosure]

TOP SECRET [New Delhi, undated.]

We sent you a letter two months ago[2] about the dangers of the Chinese Communists. Some of your advisers probably think that they understand the Chinese Communists and can make a bargain with them. We do not think they understand Communism or the record of its leaders. . . . Your Holiness is the chief hope of Tibet. If the Chinese Communists seize control of Tibet, you will be of greater help to Tibet outside Tibet where you will be the recognized leader and will symbolize the hopes of the Tibetans for the recovery of Tibet's freedom.

We do not know whether you received our letter about the Chinese Communists. We would like to know.

Since sending the previous letter we have read in the newspapers your delegation to Peiping signed an agreement with the Chinese Communists. We do not believe they signed it with your permission but were forced to do so. However, the world is beginning to think that you do not object to the agreement because you have made no statement about it. We think you should make this statement soon because the Chinese Communists are sending a delegation to Yatung through India. If you make your statement before they reach India, it should make it difficult for the Chinese delegation to come to Tibet. If you do not make such a statement, we think that Tibetan autonomy is gone forever.

The only access we have to Tibet is through the country of India. It is therefore important that Tibet tell India what you now want to do and persuade India to help you or permit other countries to help you. We don't know for sure but we think it possible India will permit help because although India now seems friendly with the Chinese Communists we know many Indians are fearful of the Communists near India.

We ourselves are willing to help Tibet now and we will do the following things at this time:

1. After you issue the statement disavowing the agreement which your delegation signed with the Chinese Communists in Peiping, we will issue a public statement of our own supporting your stand.
2. If you decide to send a new appeal to the United Nations, we will support your case in the United Nations.[3]

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[2] See the enclosure to Henderson's letter of March 29 to Mathews, p. 1612.

[3] Telegram 218 to New Delhi, July 26, 1951, not printed, stated that this paragraph did not fully reflect the Department's position as stated in telegram 2051 to New Delhi, June 2 (see p. 1693); if the opportunity arose to discuss the subject again, the Department considered it essential that the U.S. position should be set forth in accordance with telegram 2051 (793B.00/7-1151).

3. If you leave Tibet, we think you should seek asylum in India, Thailand or Ceylon in that order of priority because then you will be closer to Tibet and will be able to organize its resistance to the Chinese Communists. Although we haven't consulted India, we think it would let you come to India because it said you could come last year. We haven't consulted Thailand or Ceylon but we will ask them if you can come if you want us to talk to them. If you are unable to remain in any of these countries, you may come to our country with some of your followers.

4. If you leave Tibet and if you organize resistance to the Chinese Communists, we are prepared to send you light arms through India. We think, however, that you should first ask India for arms and, if they cannot give them to you, ask India for permission for other countries to send them through India. If you are able to organize resistance within Tibet, we will also give consideration to supplying you with loans of money to keep up the resistance, spirit and morale of the Tibetan people. This is important if Tibet's autonomy is to be maintained or regained in the event you should feel impelled to seek asylum outside of Tibet. We will discuss plans and programs of military assistance and loans of money with your representatives when you tell us who your representatives are.

5. We have already told your brother, Taktse Rimpochi, that he can go to our country and we are making arrangements for his departure.

We are willing to do all these things. We have sent you many messages to this effect. We do not know if you have received them. Therefore we ask you to write us whether you have received this letter. We ask you also to send us a personal representative or to write us which Tibetan representatives in India have your confidence.

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**McGhee Files : Lot 53 D 468**

*The Acting Director of the Office of South Asian Affairs (Kennedy) to the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (McGhee)*

**TOP SECRET** [WASHINGTON,] July 11, 1951.

Subject: Your Meeting with Mr. Rusk and Ambassador Henderson on Tibet.

*Discussion*

The general purpose of this meeting is to exchange views in order that we may be sure that we are in agreement as to policy and lines of action prior to the Ambassador's departure for New Delhi.

The situation at the moment is as follows:

1. The Dalai Lama has been informed that the US is sympathetic to the maintenance of Tibetan autonomy and is prepared to do every-

thing feasible to assist Tibet in this regard; that if the Dalai Lama publicly disavows the Peiping agreement the US will also issue a sympathetic statement, tenor and timing to be dependent upon the Tibetan announcement; that the US is prepared to make a substantial effort to obtain asylum for the Dalai Lama in Thailand (steps have already been taken), would actively second efforts by the Dalai Lama with respect to Ceylon, and, if circumstances required, would give sympathetic consideration to his coming to the US; that financial support to the Dalai Lama and entourage would be forthcoming; that the US is prepared to provide limited assistance in terms of light arms, depending upon political and military developments in Tibet proper and on evidence of a cooperative attitude by the GOI; and that if the Dalai Lama appeals to the UN the US would support consideration, although the attitude of other UN members would be an important factor.

2. The Dalai Lama has not stated his position with respect to the Peiping agreement and has remained at Yatung awaiting the arrival of the Chinese and Tibetan delegates. Latest information is that he is confused and is uncertain as to what he should do.

3. The Dalai Lama's elder brother, Taktser, arrived in New York Sunday (July 8) morning. The public reason for his trip is health, but it is presumed that he carries a letter from the Dalai Lama and will consult with the Department.

4. The UK has stated that there should be full consultation with the GOI to encourage that government to accept a disavowal of the Peiping agreement and to cooperate in further steps, and has made clear that the UK would find it difficult to follow the US lead if GOI opposed it. Consultation has already taken place with both the UK and the GOI.

5. The GOI has not commented as yet on our statement that we would support the Dalai Lama in a disavowal and would assist in obtaining asylum for him.

6. New Delhi believes that for the moment we should await developments at Yatung. Calcutta expresses concern that we may stimulate a negative reaction if we press too much.

*Recommendation*

General agreement should be sought either:

*a.* That the action so far taken constitutes the maximum and we should await further developments such as information as to the Dalai Lama's decision; or

*b.* That more positive action along the following lines should be initiated immediately:

1. Suggest that the Dalai Lama instruct an emissary to sound out

the GOI re asylum in India and/or transit to another country. (New Delhi's 129 of July 10.)

2. Inform Dalai Lama that US would assist in arranging and would finance private air transport for Dalai Lama and retinue. (New Delhi's 131 of July 10.)[1]

3. Inform Dalai Lama that if the above approach is made, the US will discuss arrangements with the GOI, including those involving air transport. (New Delhi's 131 of July 10.)

4. Approach GOI to obtain the necessary cooperative attitude, after we know the initial approach has been made by Tibet, and concert next steps with the UK and the GOI. (London's 184 of July 10.)[2]

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[1] In the reference telegram, not printed, the Embassy suggested that it should be authorized (1) to inform Shakabpa that the United States would, if necessary, finance private air transport for the Dalai Lama and his retinue from India to another country, and (2) to discuss with the Indian Government preliminary arrangements for such air travel, but only in the event it should become clear the Dalai Lama was unable to remain in India (793B.00/7-1051).

[2] The reference telegram, not printed, reported that the British attitude was that, if the Tibetans denounced the Sino-Tibetan agreement, the United Kingdom and India could not refrain from making a statement; the British High Commissioner in New Delhi had been instructed to approach the Indians to urge that some action be planned in the event that the Tibetans denounced the agreement (693.93B/7-1051).

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**793B.00/7-1251 : Telegram**

### *The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, July 12, 1951—10 a. m.

34. Intel dated 11th. Linn, at Kalimpong, states Shakabpa has just received word from Dalai Lama that Dalai Lama will meet Chinese delegation and return to Lhasa in ten days. Linn adds will be difficult change Tibet's plans for giving up all resistance but he (Linn) is convinced member Tibetan delegation who is close to Dalai Lama will cooperate with [name deleted] and Shakabpa in attempting arrange for Dalai Lama to come to India. They believe Dalai Lama "unable" come to India. Dalai Lama's decision recall all Tibetan officials to Yatung appears definite. Linn urgently requests instructions re possible US assistance air travel (Embtel 131, July 10)[1] also any other possible helpful info.

We are asking Linn clarify reference to inability Dalai Lama come India.

Press today carries PTI story from Kalimpong, stating Dalai leaving [for?] Lhasa July 22, also that Chinese delegation, accompanied by large number Tibetan officials, left Kalimpong yesterday for Tibet via Gangtok. Article adds large concentration Chinese Liberation

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[1] See footnote 1, *supra*.

Troops reported on east border Tibet and movement these forces toward Lhasa will coincide with arrival there of Chang Ching-wu.[2]

Sent Dept 34; rptd info Delhi 36.

WILSON

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[2] One of the signers of the Sino-Tibetan agreement of May 23, 1951, and head of the Chinese Delegation to Tibet.

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**793B.00/7-1251 : Telegram**

### *The Secretary of State to the Embassy in India*[1]

TOP SECRET PRIORITY WASHINGTON, July 12, 1951—8 p. m.

91. Dept officers met with Taktser Rimpoche today and orally gave him fol:

US Govt believes Tibet shld not be compelled by duress accept violation its autonomy and that Tib people shld enjoy rights self-determination commensurate with autonomy Tibet has had many years. This has consistently been position US.

US therefore will indicate publicly its understanding of position DL as head of an autonomous Tibet.

US similarly will endeavor persuade other nations take no action adverse DL's position as head autonomous Tibet.

US will support Tib request for refuge in Ceylon; it believes that cost chartering planes for journey DL and entourage from India to Ceylon cld be met by US cits having strong and friendly interest Tibet; if requested by DL, US will use its best efforts persuade GOI assure transit DL and retinue. (It was pointed out here that in view practical considerations, approach GOC and GOI shld be made in first instance be representative DL; that assurances thus given based on assumption refuge wld be taken Ceylon; and that if refuge shld be taken India financial assurances wld have to be reexamined.)

To extent required and as long as mutually satisfactory purposes served, friends of Tibet in US will provide appropriate support for DL, his family and entourage of 100 or slightly more in Ceylon, it being our hope that among considerations DL wld have in selection wld be polit influence and effect persons chosen.

Resistance in Tibet must be viewed as long range problem limited by physical polit conditions in Tibet and in adjoining areas, over which US of course has no control. . . .

These assurances conditioned on withdrawal DL from Tibet, his public refusal accept Tibet-Chi Commie agreement, his continued opposition Commie aggression, and his continued willingness coop generally; implicit in this understanding however is US support DL's return Tibet at earliest practical moment as head antonomous non-Commie country.

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[1] Also sent to Calcutta as number 23.

Recommended Tibet urgently approach GOI for informal discussion India attitude toward departure DL from Tibet. This approach shld include firm statement that DL seeks transit rights through India. US through Emb New Delhi will use good offices support this request.

It made clear to Taktser that our position basic and longstanding is not related to Chi Commie involvement in Korea and not to be affected by developments there.

Ref item 5 Calcutta's 28 Jul 9, rptd New Delhi 29, Taktser has indicated he will prepare Tib language msg to DL, including above info, to be forwarded dipl pouch ETD Wash Jul 15. You will be further advised channel communication msg from Taktser to DL. Meanwhile you shld endeavor pass substantive portions this tel to DL by best available means. . . .

Acheson

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793B.00/7-1251 : Telegram

### *The Secretary of State to the Embassy in India*[1]

TOP SECRET WASHINGTON, July 13, 1951—8 p. m.

107. Ref Deptel 91 to ND, 23 to Calcutta, twelfth. Dept concerned by possibility Dalai Lama no longer free agent as reported New Delhi tel 157 twelfth[2] (rpt Calcutta as ND 27) and reported presence Chi Commie troops Gartok and Chambo. Believe imperative decisive steps taken by DL soonest. Dept suggests fol:

1. DL shld be advised approach GOI for transit consent and GOC for asylum permission soonest. Emb shld support DL approach GOI if requested by DL. Suggest Emb and UK HC make joint approach,
2. If GOI during transit talks offers planes use DL, advise DL accept offer. If no GOI offer made, inform Dept soonest that US Cits. funds necessary. (Ref Deptel 91 twelfth)

FYI Dept believes preferable DL denunciation Chi agreement shld follow DL approach GOI and completion travel plans. UK and GOI coop apparently conditioned on public DL claim negots made under duress. In talks here Takster disclaimed ability evaluate reported Tibetan plan end all resistance and DL's alleged decision return Lhasa. (Ref Calcutta's 34 twelfth, rptd ND 36)

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[1] Also sent to Calcutta as number 28.

[2] Telegram 157 from New Delhi, July 12, read as follows:

"Dutt, MEA, advised me late last nite GOI informed that Dalai Lama wld return Lhasa July 20. Questioned re source info, Dutt said GOI regarded it as 'good'. He commented that GOI info was at variance with info recently recd from Embassy. I remarked that it seemed extraordinary Dalai Lama shld make such decision even prior departure Chi del Kalimpong for Yatung and added that if true GOI info seemed imply Dalai Lama no longer free agent.

"Dept may wish discuss above with Taktser and advise us his comments." (793B.00/7-1251)

ACHESON

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794A.5 MAP/6–3051 : Telegram

*The Secretary of State to the Embassy in the Republic of China*

TOP SECRET WASHINGTON, July 13, 1951—8 p. m.

42. Toisa. Revised *aide-mémoire* contained urtel 1803 Jun 30 accepted. Text *aide-mémoire*, with further excision from original draft of certain phrases no longer considered necessary, now reads:

"The US Govt is engaged currently in developing programs of economic and military assistance for Formosa and other areas of the Far East. The US Govt cannot, however, go forward with the prospect of successful implementation of the program for Formosa without assurances that the Govt of China will cooperate effectively in bringing its military and civilian expenditures on the island under planned control. Therefore, the US Govt requests as a matter of urgency that the Govt of China formulate and propose for urgent consideration by, and discussion with, representatives of the Govt of the US some practical procedure to accomplish this purpose. Such procedure would assure that effective supervision and control is exercised continuously over budgeting and expenditure of resources and funds available to the National Govt of China and to all divisions of govt, Provincial and Local, for support of the military establishment and civilian economy. Efficient implementation of United States economic and military assistance programs depends upon working out the arrangements referred to above."

*Aide-mémoire* shld be presented by you to Generalissimo himself at earliest opportunity. In ur discretion, you may request Chase and Moyer to accompany you.[1]

In adopting present text *aide-mémoire* State, Def and ECA have accepted ur judgment, numbered para 4 ureftel, in which Chase and Moyer have concurred, that present text will accomplish objectives Deptel 1389 Jun 22 as effectively as in original draft. We assume no action will be undertaken to implement policy guidance in Ecato 611 Jun 30 if such action anticipates or is inconsistent with having Chi

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[1] Telegram 92 from Taipei, July 20, 1951, not printed, reported that Rankin, accompanied by Chase and Moyer, had given the Department's text to the Generalissimo that morning; a copy had also been sent to the Chinese Foreign Office (794A.5 MAP/7–2051).

Govt itself propose satisfactory techniques accomplish objectives Deptel 1389.

Def and ECA concur.[3]

ACHESON

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[3] An interim reply was received from the Chinese Foreign Office in a note dated August 13, 1951, in which the Chinese Government assured the U.S. Government of its readiness to cooperate in full in the implementation of U.S. economic and military assistance programs. The note stated that a Special Committee of Cabinet level, headed by the Deputy Premier, had been appointed on July 25, 1951, to study ways and means of reducing the budget deficit and bringing military and civilian expenditures under planned control; it was expected soon to draw up concrete measures for consideration by the Chinese Government. U.S. representatives in Taiwan would be kept informed of the Committee's progress, it was stated, and their advice would be sought. The note was summarized in telegram 212 from Taipei, August 15, 1951 (794A.5 MAP/8–1351); the text was sent to the Department in despatch 74 from Taipei, August 15, 1951 (793.5 MAP/8–1551).

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**793B.00/7–1451 : Telegram**

## *The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, July 14, 1951—3 p. m.

43. First of two tels dated thirteenth recd from Linn at Kalimpong states Dalai Lama's plans for going to Lhasa include side trip lasting one month. If DL shld decide come to India Linn expects suggest to Tibetans that DL ask [name deleted] make all arrangements since latter apparently willing do so. [Name deleted] told Linn Tib Govt has little confidence in GOI and DL's advisers now favor cooperating with Chi Commies rather than with GOI. Linn thinks two factors delaying DL's decision come to India: First, belief GOI unwilling receive him and second, unwillingness of DL to accept US Govt support and disavow agreement since Chi might then take reprisals. Linn suggests Emb ask GOI soonest instruct Dayal[1] (GOI rep Gangtok) to be prepared give Shakabpa assurances re willingness GOI receive DL. Linn took liberty suggesting it might be all right if DL were to refrain initially from issuing statement as long as he were to remain Yatung and then come to India.

Second tel reports Shakabpa has just informed Linn of receipt of msg from DL indicating DL approves coming to India but advisers favor his going to Lhasa. DL requests details of GOI's willingness to receive him including possibility of facilitating stay in India, also details of Emb's discussions with GOI in this connection.

As some points in foregoing not clear we are asking Gibson[2] (who left from Kalimpong today with msg contained Deptel 91, July 12 to New Delhi) to request clarification.

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[1] H. Dayal, Indian Political Officer for Tibet, Bhutan, and Sikkim.

[2] William G. Gibson, Vice Consul at Calcutta.

Sent Dept 43, rptd info New Delhi 44.

WILSON

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793B.00/7-1651 : Telegram

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, July 16, 1951—10 a. m.

47. In telegram from Kalimpong dated fifteenth Linn and Gibson report latter has handed message (Deptel 91, July 12 to New Delhi and Contel 43 July 14) to Shakabpa and Tering who are planning return to Yatung seventeenth because of instructions from Dalai Lama and because of their property in Tibet. Shakabpa believes Dalai Lama's plans for returning Lhasa are firm. Shakabpa has reluctantly agreed ask Dayal if GOI will receive Dalai Lama in India although in absence of authorization from Dalai Lama to approach Dayal in this connection, contact will be informal and Shakabpa believes on basis past experience will be fruitless. At Shakabpa's request Gibson will wait in Kalimpong for Shakabpa's report of conversation with Dayal. If GOI will receive Dalai Lama, it must so inform Dalai Lama before Shakabpa arrives in Yatung or Shakabpa will advise Dalai Lama no prospect favorable results this connection.

. . . . . . .

*Comment:* Foregoing tel evidently crossed one from us instructing Linn and Gibson urge Shakabpa remain in Kalimpong (Deptel 108, July 13 to New Delhi).[1] If as now appears Shakabpa is determined depart, contact can presumably be maintained . . . . Important thing at this stage as far as Shakabpa is concerned seems to us to be his approach to Dayal which he is evidently planning make en route Yatung.

Sent Dept 47; rptd info New Delhi 50.

WILSON

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[1] Telegram 108 to New Delhi suggested that an attempt be made to persuade Shakabpa to remain in Kalimpong until the arrival of Taktser's letter (793B.00/7-1351).

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793B.00/7-1651 : Telegram

*The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NEW DELHI, July 16, 1951—7 p. m.

230. Both MEA (Dutt) and UK HC (Garner)[1] were informed today that Emb has received info from Tibet contacts that possibility

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[1] J. J. S. Garner, United Kingdom Deputy High Commissioner in India.

existed rep Dalai Lama might in near future approach GOI authorities in re asylum for Dalai Lama India notwithstanding press reports his intention return Lhasa.

Emb impression was that Dalai Lama and family apprehensive his safety in event return Lhasa which it seemed he was being pressed to do by many advisors who favored attempt come to terms with Chinese Commies.

Sent Dept 230, rptd London 10, Calcutta 42.

STEERE

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793B.00/7-1651

*The Consul General at Calcutta (Wilson) to the Department of State*

TOP SECRET CALCUTTA, July 16, 1951.

No. 21

Ref: Department's telegram 91, July 12 to New Delhi, repeated Calcutta as 23.

Subject: Transmitting Copy of Document Forwarded to Dalai Lama Through Tibetan Contacts at Kalimpong.[1]

I have the honor to refer to the Department's telegram No. 91 dated July 12, 1951, to the Embassy at New Delhi, which was repeated to Calcutta as No. 23, and to transmit herewith a summary of the Department's telegram, which Vice Consul William G. Gibson of this office took to Kalimpong on July 14, in accordance with the instructions contained in the Embassy's telegram No. 34 of July 13, 1951, to Calcutta.[2]

The enclosed message, from which all references to the United States have been deleted in a manner similar to the message transmitted to the Department with the Embassy's top secret despatch No. 70 of July 11, 1951, represents a paraphrase of the information conveyed by the Department to Taktser Rimpoche, elder brother of the Dalai Lama, in Washington on July 12, 1951. The reference to the possibility of asylum in the United States (last sentence of paragraph 3) was inserted at the suggestion of the Embassy.[3]

Mr. Gibson took with him two copies of the message, which, as the Department and the Embassy have already been informed, he handed to Tsepon Shakabpa and to [name deleted], respectively, for onward forwarding to the Dalai Lama.

In preparing this message we repeated the references to Tibetan autonomy which are contained in the Department's telegram No. 91, although it may be difficult to convey to the Tibetans exactly what the Department has in mind, in view of the fact that the Tibetan language does not differentiate between the concepts of autonomy and complete independence (see Consulate General's despatch No. 625 of June 28, 1951).[4]

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[1] The document, unsigned, undated, and unaddressed, is not printed.

[2] Not printed.

[3] In telegram 34 to Calcutta, the Embassy instructed the Consulate General to add this "in order not give impression USG has withdrawn its previous assurance re asylum in US" (Calcutta Post Files: Lot 56 F 55).

EVAN M. WILSON

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[4] Not printed.

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793B.00/7-1751 : Telegram

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, July 17, 1951—3 p. m.

52. Linn returned last night from Kalimpong where Gibson remaining temporarily. Linn states most Tibetan officials, including Y. Pangdatshang and Tering have already left for Yatung. Shakabpa leaving today. Only important Tibetans remaining are Dalai Lama's mother and sister, two members of Tibetan del Peiping (Sanpho Sey and Rimjin Sadutsang) and four members Tibetan trade mission Kalimpong.

Linn reports all plans made for Dalai Lama's departure for India if Dalai Lama decides leave Tibet. These plans have been prepared . . . and are being conveyed to Dalai Lama by [name deleted] . . . . Plans included in msg from [name deleted] urging Dalai Lama come to India and also urging him adopt one of fol three courses of action.

*a.* Choose small group of faithful followers and leave quietly with them. This wld presumably involve leaving at night in effort avoid deputations which have come to Yatung from principal monasteries and from govt at Lhasa to persuade Dalai Lama return to Lhasa.

*b.* Order [name deleted] bring him surreptitiously to India. . . .

*c.* If neither (*a*) nor (*b*) feasible, Dalai Lama to send msg to [name deleted] requesting . . . send Harrer and Patterson secretly and in disguise to meet Dalai Lama near Yatung in accordance with prearranged plan and bring Dalai Lama back. Detailed plan for this operation also being conveyed by [name deleted] but he is to make clear to Dalai Lama it is to be adopted only as last resort.

Linn advised Harrer and Patterson alternative (*c*) wld obviously entail great risks, but they are determined make any sacrifice for Dalai Lama if necessary. Harrer knows Yatung thoroughly and is convinced he can get Dalai Lama out. Both he and Patterson have agreed not to make this attempt unless other plans impossible of fulfilment.

Dalai Lama's decision re foregoing will be promptly communicated to [name deleted].

Linn says all Tibetan sources report Dalai Lama under very strong pressure return to Lhasa, with oracles declaring he must do so.

Linn and Gibson attempted persuade Shakabpa remain Kalimpong as directed Deptel 108, July 13 to New Delhi,[1] but Shakabpa stated he had no alternative as Dalai Lama's orders sacred. In his last conversation with Linn, Shakabpa revealed Tibetans now aware GOI willing receive Dalai Lama. Shakabpa explained member Tibetan del had just told him Chinese Commies had approached GOI in this connection and received affirmative reply in which ref had been made to fact thirteenth Dalai Lama had taken refuge in India[2] as well as alleged statement by Nehru expressing willingness receive Tibetan refugees. . . . Point arose as result Shakabpa's efforts convince Linn and Gibson not necessary for him to call on Dayal although he eventually consented do so. Re second sentence Contel 47, July 16, Shakabpa in discussing with Linn Dalai Lama apparent decision return Lhasa indicated Dalai Lama had made decision under compulsion. We feel however if pressure is made Dalai Lama may be persuaded reverse decision when presented with definite plans for escape outlined above, as well as msg from US Govt (Deptel 91, July 12) both texts of which [name deleted] is also carrying to Dalai Lama.

Sent Dept 52, rptd info New Delhi 56.

WILSON

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[1] Not printed, but see footnote 1 to telegram 47, p. 1752.

[2] The thirteenth Dalai Lama took refuge in India in 1910 because of a Chinese invasion of Tibet.

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793B.00/7-1751 : Telegram

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

TOP SECRET PRIORITY LONDON, July 17, 1951—6 p. m.

340. Deptel 335 to London July 16 rptd New Delhi 123, Calcutta 34.[1]

At Foreign Office this afternoon, Embassy officer asked whether, in view continued procrastination Dalai Lama which might soon result in his loss of freedom of action, Foreign Office wld be prepared instruct Acting UKHC New Delhi persuade GOI invite Dalai Lama visit India soonest. It was mentioned that press was on trail of reported dissatisfaction on part of Dalai Lama with May agreement with Chinese Commies (Embtel 327 July 17 to Department rptd New Delhi 5)[2] and that publicity might soon force him give up any thought of asylum in India or elsewhere.

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[1] Telegram 335 to London, not printed, instructed the Embassy to suggest that the British Government instruct Nye to urge the Indian Government to invite the Dalai Lama to visit India (793B.00/7-1651).

Foreign Office agreed consult CRO urgently as to prospect of GOI being prepared take action along lines suggested by Department. Foreign Office also planned discuss with Nye who arrived London this morning. Embassy officer hopes to have Foreign Office reply by tomorrow.

Sent Dept 340; rptd info New Delhi 6, Calcutta 2.

GIFFORD

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[2] Not printed.

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293.1122/7-1851: Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

CONFIDENTIAL LONDON, July 18, 1951—2 p. m.

352. Embtel 194, July 10.[1] Representations in Peiping on behalf foreign residents of China.

UKHC New Delhi has reported he not hopeful GOI wld wish Panikkar participate in joint representations but is prepared ask Bajpai and agreeable to Lamb in Peiping asking Panikkar whether they agreeable to such approach.

Meanwhile, FonOff in receipt of long telegram from Lamb in Peiping commenting about as fols:

(*a*) Parallel representations wld doubtless be strengthened by participation Panikkar who apparently agreeable.

(*b*) Any approach to GOI cld be more effectively made by UK rather than by US and UK jointly.

(*c*) Panikkar has reported to Lamb substance of talk he recently had with Sov Amb Raschin[2] whom Panikkar approached in latter's capacity of Dean of Diplomatic Corps on subject ill-treatment of foreigners in China, mentioning arbitrary withholding of exit permits, imprisonment incommunicado, and failure of CPG respond to representations by foreign diplomatic missions on such subjects. Panikkar referred especially to situation Catholic nuns in Nanking and Canton. Raschin said to have responded sympathetically, to have endorsed Panikkar's initiative in presenting problem to him as dean, and to have volunteered to raise issue at first opportunity with CPG at "higher level than vice Fon Min". Raschin mentioned his dissatisfaction over failure CPG reply to his own protest on subject arrest Sov national. Panikkar promised inform Lamb any results Raschin might obtain from talk with CPG.

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[1] The reference telegram reported that the British Chargé in Peking, Lamb, was consulting other representatives in Peking concerning possible multilateral representations on behalf of foreign nationals and that he thought Panikkar, the Indian Ambassador, would be willing to cooperate (293.1122/7-1851).

[2] N. V. Roschin, Soviet Ambassador to the People's Republic of China.

(*d*) Although Lamb feels above reported Panikkar-Raschin conversation encouraging from point of view joint representations, in circumstances he believes it may not be necessary attempt concerted approach; Panikkar's approach through Raschin, independent of prodding by other Western representatives, might carry greater weight with CPG. In any case, important present spontaneous interest of Panikkar not be dampened by any suggestion US prompting. Lamb promised discuss problem with Panikkar and report soonest.

GIFFORD

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**793B.00/7–1951 : Telegram**

### *The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NEW DELHI, July 19, 1951—8 p. m.

269. Personal suggestion was made to Dutt (MEA) July 17 that it might be useful for GOI to inform its polit rep Gangtok re GOI attitude toward question asylum for Dalai Lama, in view our information that matter being seriously considered by DL.

Dutt was informed yesterday (18) Emb understood that rep of Dalai Lama likely at any moment approach GOI rep Gangtok re asylum India for DL. Dutt replied that GOI rep had been instructed re attitude GOI this question.

Emb recd today telephone message from ConGen Wilson Calcutta that Shakabpa had approached Dayal (in Gangtok) yesterday (18) re asylum but had been informed Dayal had no instructions from his govt. Shakabpa conveyed this info to Vice Consul Gibson who was in Gangtok and who then obtained confirmation thereof from Dayal.

Upon receipt above info, I saw Dutt and gave him substance info from Wilson. Dutt made immed investigation and learned from subordinate (and admitted with embarassment) that Dayal had not been instructed until evening 18 re GOI attitude. I then pointed out we understood Shakabpa was proceeding to Yatung, and suggested that steps shld be taken to assure that info re GOI attitude was conveyed to DL if Shakabpa had departed. Dutt assured Emb this wld be done, since Dayal was in constant touch with GOI trade rep in Yatung.

Dutt was then informed that Emb had instructions, upon being advised that DL rep had approached GOI re asylum, to indicate US support of DL request, and our hope that GOI wld give favorable consideration thereto.

Dutt made note of latter remarks, and replied that Dayal had been instructed to inform DL rep, in case of request for asylum, that GOI, in accordance with internatl law, was prepared to grant asylum upon condition DL did not engage in polit activities while in India.

Sent Dept 269, rptd info London 13, Calcutta 51.

STEERE

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793B.00/7-1951 : Telegram

## *The Secretary of State to the Embassy in India*[1]

TOP SECRET PRIORITY WASHINGTON, July 19, 1951—8 p. m.

168. Ref Contel 61 19th rptd ND 63.[2] Emb London indicates likely further delay UK action urging GOI invite DL visit India.[3] View critical DL position Dept proposes following action provided Emb and ConGen concur:

1. Emb inform high level GOI official urgently that US has info considered reliable that Chi Commies subjected Tibetan delegation to duress in negotiating agreement and indications DL may not have entire freedom of action in making decision accept or reject it;
2. We believe DL shld be assured untrammeled opportunity make such decision;
3. Believe DL may wish visit India but uncertain GOI willingness receive him;
4. US suggests GOI extend through Dayal or other channel invitation DL soonest visit India basing invitation on fact DL so near India in Yatung and appropriate make side trip prior returning relatively inaccessible Lhasa;
5. Emb shld advise UKHC of action prior to call on GOI and request cooperation; however, Emb shld not delay GOI approach in absence UKHC agreement cooperate.

Dept believes unrealistic and illusory Dayal opinion reported Caltel 61 that DL can decide further course after return Lhasa.

ACHESON

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[1] Also sent to Calcutta as number 39; repeated to London for information as number 461.

[2] Telegram 61 from Calcutta, not printed, reported that Daval had told Gibson that Shakabpa had contacted him informally two days earlier but that Dayal had no authority from the Indian Government to facilitate the Dalai Lama's coming to India; he also said that no Tibetan representatives had ever formally approached him or the Indian Government concerning this matter or concerning Indian support for Tibet (793B.00/7-1951).

[3] Telegram 355 from London, July 18, 1951, not printed, stated that the preliminary working level thinking in the Foreign Office and the Commonwealth Relations Office was that the Dalai Lama's representative should make the first move (793B.00/7-1851).

**793B.00/7-2151 : Telegram**

*The Ambassador in India (Henderson) to the Secretary of State*

TOP SECRET NEW DELHI, July 21, 1951—midnight.

302. Deptel 168 to Calcutta 39, rptd London 461.[1] Occasion taken last night to inform Dutt (MEA) along lines proposed in reftel, except that I did not directly suggest invitation DL to visit India. GOI has several times indicated to Emb its firm view that first approach re any such visit shld be made by Tibetans and early in conversation Dutt stated that GOI did not wish to take any action that might be construed as attempt to influence DL or Tibetan decision in Tibetan relations with Commie China. It did not seem expedient therefore to do what cld have been regarded as pressure.

I stressed to Dutt, however, belief held in Wash that Tibetan del subjected duress in Peking, and indications that DL might not have freedom of action to make decision accept or reject Sino-Tibetan agreement, also US policy of sympathy and support where feasible for nations seeking maintain their independence and our view that DL shld have opportunity to make free decision. In conclusion I said it was greatly to be hoped that some way might be found to give DL such opportunity.

Dutt had very little to say but did state that DL had been informed of GOI willingness accord him asylum (see Embtel 269, July 19). Dutt intimated that info had been communicated to DL through GOI trade agent Yatung, but admitted latter did not have direct access to DL. What channel had been used was not stated.

Time did not permit prior advice to UKHC of call on GOI; Emb convinced UKHC wld not have supported our action. They have, however, been informed about it today.

Sent Dept 302, rptd info Calcutta 54, London 16.

HENDERSON

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[1] *Supra.*

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**793B.00/7-2251 : Telegram**

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, July 22, 1951—11 a. m.

68. Gibson returned from Kalimpong last night. Wilkins remaining since [name deleted] (Contel 52, July 17) due back from [*in*] Kalimpong from Yatung . . ., presumably with message from Dalai Lama. Wilkins returning Calcutta tomorrow, Delhi Tuesday.

On evening of twentieth Wilkins and Gibson saw [name deleted] and handed . . . items sent by Taktser Rimpoche from Wash (Deptel 31, July 16).[1] In view expected arrival [name deleted] and in absence meanwhile of responsible person to serve as messenger, it was decided to hold letter to Dalai Lama until [name deleted] arrival, after which . . . can take it to Dalai Lama.

[Name deleted] informed Wilkins and Gibson of receipt of several telegrams from Yatung where situation not clear. One message from [name deleted] reported his safe arrival, second from [name deleted], requested [names deleted] remain Kalimpong, third from [name deleted] stated in prearranged code, Dalai Lama not coming to India. Immediately, his fourth announced [name deleted] return to Kalimpong.

Re third telegram above, [names deleted] had arranged that on reaching Yatung, he would send one of two messages indicating whether Dalai Lama would come to India as result proposals . . . (Contel 52) or not. Message was sent negative. Further details will have to await [name deleted] arrival but general impression Kalimpong is Dalai Lama is going back to Lhasa.

Sent Dept 68, rptd info New Delhi 67.

WILSON

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[1] Not printed.

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794A.00/7-2351

*Memorandum of Conversation, by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*

CONFIDENTIAL [WASHINGTON,] July 23, 1951.

Subject: Conditions on Formosa

Participants: General Claire Chennault[1]
FE—Mr. Merchant

At the suggestion of a mutual friend, Ed Lockett, General Claire Chennault made an appointment and came in to see me today. He is in this country on leave, having left Formosa only nine days ago. I had known him slightly in China and we had a pleasant and, so far as I was concerned, informative talk. I gained the impression that he had dressed himself carefully and come to the State Department in the general attitude of holy water dealing with the devil.

At the outset he started off by saying that he thought the truce in Korea was a mistake because it would release Chinese military attention for operations against Burma or Indochina or Formosa and possibly all three. He also elaborated at some length his theory that if we bombed with conventional weapons Mukden and the lines of supply from Mukden to the Yalu, we could reduce in two months the tonnage of supplies moving up to the front by 33⅓%, which would make it impossible for the Communists to maintain an effective force on the battle line.

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[1] Maj. Gen. Claire Lee Chennault, USAF, retired, was chairman of the board of Civil Air Transport, Inc.

I did not debate him in detail but referred to the Joint Chiefs' testimony and the MacArthur hearings.

I questioned the General in detail on conditions on Formosa. He said that K. C. Wu [2] has done a remarkable job and that in the past two years economic conditions have improved and the attitude of the Formosans toward the mainlanders has notably changed for the better. He described Formosa as the most peaceful country in the entire Far East with the exception of Japan. On guerrillas, he says there are comparatively few under the direction and effective command of the National Government, but that this is due only to lack of communications and lack of matériel. Both, he says, are being remedied from Formosa and he believes that, given communications facilities and adequate supplies of weapons and ammunition, it is within practical possibility to organize a million guerrillas responsive to the Generalissimo in China south of the Yangtze. He seemed to me very realistic in discussing the difficulties, the present ineffectiveness of guerrilla bands and the fact that many of them are nothing but bandits who are described as guerrillas by whatever government is in power. Kueichow, he says, is in a state of continuous uprising. He is hopeful also about conditions in all of Yenan [*Yunnan*], Kwangtung and Kwangsi.

General Chennault said that a considerable build-up by the Communists, particularly in air preparation, is going on on the invasion coast. The Amoy airfield has been lengthened to 8000 feet, paved, and its foundation greatly deepened. It can handle jets and heavy four-engine stuff. Similarly at Fuchow and a set of fields slightly in the interior, important preparations are being made. Flights of jets apparently come in one day and leave the next, down the coast as far as Canton and then back.

According to the General, morale in the CAF is poor because they are scared to death of jets, having none themselves. He expects raids against Formosa almost any week. CAF is still flying P-40s and a few P-38s and P-51s. They have "busted up" the last of the 250 Mosquitoes they got from Canada.

General Chennault was lyrical in his praise of Karl Rankin and on three occasions urged that he be named Ambassador, first because he deserved it and second because this would give a lift to the Nationalist morale. He also was full of praise for General Chase.

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[2] Governor of Taiwan Province, Republic of China.

I took occasion to say to the General that I trusted the Nationalists would not make any more difficulty over the Japanese treaty[3] than they had already. I said I recognized they felt under compulsion to protest. I then went into a considerable explanation of the importance of securing an effective treaty which would permit the liquidation of the occupation and pointed out that with Nationalist participation this was impossible, I explained that there was no intention to embarrass or needlessly impair the prestige of the Nationalists and that it is this Government's earnest desire to handle the matter in the most friendly possible but effective manner. General Chennault seemed greatly impressed and I am hopeful that he will do some good on this issue.

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[3] For documentation concerning the Japanese Peace Treaty, see vol. VI, Part 1, pp. 777 ff.

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794A.022/7-2351 : Telegram

*The Chargé in the Republic of China (Rankin) to the Secretary of State*

CONFIDENTIAL TAIPEI, July 23, 1951—4 p. m.

105. During private discussion of US-Australia-Canberra [*New Zealand*] tripartite pact[1] with FonMin[2] today he asked me whether Dept had any plans for including Chi Govt and more specifically Formosa in similar arrangement. He pointed out Phil demand for defense pact with US[3] might bring up related problems affecting Formosa including Seventh Fleet's mission.

Replied I assumed Dept had considered above questions in relation Formosa but view polit problems involved it premature take position in matter. I expressed hope tripartite pact was only first step in more comprehensive security arrangements in Pacific and suggested Chi Govt give matter continuing study to determine how it might fit into collective security system as it develops in FE.

FonMin requested I put question in para one to Dept in any case.

RANKIN

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[1] For documentation concerning the security treaty between Australia, New Zealand, and the United States, signed at San Francisco on September 1, 1951, see vol. VI, Part 1, pp. 132 ff. For the text of the treaty, see 3 UST (pt. 3) 3420.

[2] George Kung-Chao Yeh, Minister of Foreign Affairs, Republic of China.

[3] For documentation regarding the mutual defense treaty between the Philippines and the United States, signed at Washington on August 30, 1951, see vol. VI, Part 1, pp. 132 ff. For the text of the treaty, see 3 UST (pt. 3) 3947.

**293.1122/7–2651 : Telegram**

### *The Secretary of State to the Embassy in the United Kingdom*

CONFIDENTIAL WASHINGTON, July 26, 1951—8 p. m.

633. Reur 352 Jul 18, para (*d*). Dept realizes potentialities in Panikkar-Raschin contacts and of latter's reported intent to raise issue with Peiping auths. However, line of action envisaged consists of chain of possibilities only, which cannot be relied upon unless some definite progress has already been shown. Request FonOff obtain soonest report from Lamb status projected moves Peiping. If it appears no proximate action to ensue Dept wld wish proceed with our own plan.

Dept appreciates Panikkar's sensibilities, but is nevertheless under necessity having evidence that steps mentioned in behalf imprisoned persons, in particular, are being taken now and that they offer prospect some reaction from Chi Commie auths within reasonable time.

Inform FonOff for its informal comment Dept considering possibility this Govt sending, at same time we invite free world Govts cooperate, separate request to Soviet Govt for assistance with Peiping.

ACHESON

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**793B.00/7–2651 : Telegram**

### *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

TOP SECRET LONDON, July 26, 1951—7 p. m.

538. Embtel 389, July 19, rptd New Delhi 10, Calcutta 4.[1] At FonOff yesterday Embassy officer shown text of telegram dispatched by CRO to UK HC New Delhi expressing view that if Dalai Lama returns to Lhasa CPG will doubtless make maximum capital therefrom but that this is a situation which GOI would no doubt accept rather than risk endangering good relations with CPG. . . .

In telegram dated July 23, UK HC replied along following lines: It seems clear Dalai Lama under increasing pressure yield to CPG and leave for Lhasa. Press reports he left Yatung for Lhasa July 22 after having seen head of CPG delegation. Understood Dalai Lama's mother and family remaining Kalimpong. It seems nothing can be done for present.

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[1] Telegram 389 from London, not printed, reported that, in a discussion at the Foreign Office concerning the question of asylum for the Dalai Lama, Gifford had expressed doubt that a British approach to the Indian Government would be helpful at that time; the Foreign Office was so informing the Acting High Commissioner in New Delhi and giving the tentative view that the Dalai Lama should take the initiative in requesting asylum (793B.00/7–1951).

New Delhi please inform Calcutta.

Sent Department 538, repeated info New Delhi 16.

GIFFORD

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**794A.011/7–2851 : Telegram**

*The Secretary of State to the Embassy in the Republic of China*

CONFIDENTIAL WASHINGTON, July 28, 1951—4 p. m.

74. Ur 105 Jul 23. Dept approves ur reply to FonMin and considers this reply adequate.

Established US policy is to deny Formosa to Commie China and Seventh Fleet assigned mission preventing Commie attack on island. However, difference of view among concerned countries re polit status Formosa and Natl Govt and fact Natl Govt's objectives go beyond defense Formosa and embrace reconquest mainland China cause special problems re Formosa which make unlikely its inclusion under existing circumstances in any gen collective security system which may develop in the Far East.

ACHESON

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**793.00/8–151**

*Memorandum by the Deputy Director of the Office of Chinese Affairs (Perkins) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*

SECRET [WASHINGTON,] August 1, 1951.

Subject: Trends in Communist China.

*Conclusions and Summary*

Available information points to:

*a.* limited Communist attacks on Nationalist held offshore islands;

*b.* rapidly increasing diplomatic pressure upon and covert activity within India, Burma, Thailand, Malaya, Indonesia;

*c.* liaison and coordination with covert groups in Hong Kong, Philippines, Japan, Taiwan;

*d.* a setup in the flow of arms and limited number of trained men to Burma;

*e.* no large scale commitment of intact Chinese Armies in support of the Vietminh (as occurred in Korea, December 1950) but a rapid flow of men and material to be mixed with Vietminh armies as "volunteers".

*Recent Developments*

There has been considerable speculation that any cooperation of the Chinese Communists in cease-fire talks in Korea would result in increased Chinese pressure elsewhere in Asia. It is believed appropriate, therefore, to review the mass of intelligence reports available and to endeavor to ascertain whether such pressure is likely to occur. The following recent developments can be evaluated as "true" or "probably true".

1. Chinese minority groups in southeast Asian countries are remarkably non-political in current activities. This contrasts sharply with the open pro-Communist psychological reaction which followed the Chinese Communist initial success in Korea last December.

2. There is a marked build-up of Chinese Communist troops in South China.

3. Top priority is being given inside China to the construction of strategically important highways and railroads. Current projects reported include the completion of a railroad from Nanning to the Indochinese border, commencement of work on a new railroad to connect Chungking and the Trans-Siberian railroad, and major highway repairs on a road leading westward toward Tibet from Chengtu.

4. The anti-guerrilla campaign has been largely successful, with the exception of guerrilla units which fled to relatively inaccessible mountain areas in Yunnan, Kwangsi and Kwangtung. Guerrilla activity is now limited to hit-and-run tactics.

5. The relative commercial importance of Hong Kong to Communist China as of this writing, has appreciably decreased. (It will be recalled that many British residents of Hong Kong have argued that Hong Kong will remain unmolested so long as it is useful to the Communists, although under British control.)

6. There has been a major Communist China diplomatic build-up in India, Indonesia and Burma. In addition to organizing Communist support among resident Chinese minorities, Chinese diplomatic personnel have been useful in obtaining scarce goods.

7. Centralized administrative control has been established inside China for coordinated aid programs for Communist groups in Burma, Thailand and Indochina. This has been paralleled by the establishment of training schools for underground leaders and by the formation of a joint Chinese-Vietminh Military Field Staff.

8. Following the completion of the alleged agreement with Tibet, May 23, there has been a sharp speed-up in the westward movement of Chinese troops toward Tibet and India.

9. The Chinese economy rapidly is being geared for a larger military effort.

10. There has developed a recent Chinese Communist interest in the proposed Japanese Peace Treaty, an interest which ties in with intelligence reports outlining a USSR-Chinese plan to launch future attacks upon Japan itself.

11. There is a build-up of USSR military forces on the Liaotung Peninsula and in eastern Siberia.

12. There has been activated through Hong Kong a wide-spread Communist counter-intelligence program with emphasis upon infiltration of special agents into Japan and Taiwan.

13. Despite numerous claims of Third Force leaders, there is no indication that any individual leader has sufficient ability or commands a sufficient number of Chinese to organize an effective Third Force Movement. The Gimo apparently is having increasing success in neutralizing or intimidating potential Third Force leaders. Unfortunately the Gimo's action supplements infiltration tactics of Communist China.

14. It seems well established that the Huks in the Philippines are now maintaining regular contact with the Chinese Communists.

*Prognosis*

A. Factors making for increased strength of the Communist Chinese Government.

1. Development of a major military effort will result in increased control by the Central Government and in a general improvement of governmental administrative machinery. In economics, this development will be characterized by the imposition of economic controls, the decline of private enterprise, an increase in State trading, and by lower standards of living for the mass of non-party members. Politically, it will be characterized by continued liquidation or neutralization of opposition groups.

2. The ruling Communist clique will acquire an increased psychological hold over the people through the social, economic, and political isolation of Chinese individuals from all contact with the Western World. This development will be accelerated by the departure from China of western business men, missionaries and diplomatic representatives, and by the tightening hold of USSR advisers.

3. Concomitant with increasing internal strength, there is likely to be increasing external Chinese Communist activity. Such activity will include the shifting of military forces toward, and the exerting of political pressure on India and southeast Asian countries and an accelerated infiltration of agents into Hong Kong, Macao, Japan, Taiwan, Philippines, and possibly into Hawaii and among Chinese residing in the United States. As an expression of militant imperialism, the Communists will renew their drive for a seat in the UN.

4. Any cessation of actual fighting in Korea will probably result in a divergence of opinions among presently cooperating non-Communist countries and may well include British appeasement of Chinese Communist economic and political activity in Hong Kong, and increased

UK reluctance to continue economic controls on trade with Communist China.

B. Factors making for weakness.

1. The initial enthusiasm of many Chinese for the Communist Government is almost dead and henceforth there will be a gradual increase in individual resentment of Governmental controls; this resentment may develop into activity bordering on covert opposition.

2. Isolation of Chinese from the Western World and the commitment of men and resources to support military mobilization will result in a sharply increased dependence on the USSR. It is of interest to note that although USSR support will be a major factor in contributing to Chinese imperialism in the Middle East and southeast Asia, the USSR is simultaneously creating a USSR "sphere" as a buffer area between Chinese and Russian territory. (This area includes Sinkiang, Outer Mongolia and Manchuria.) This development may indicate a strong USSR distrust of possible future Chinese "Titoist" activities.

3. With the consolidation of internal administrative control and with the development of increased dependence on the USSR, there will probably be a weakening of the united front which previously existed among key Chinese leaders. Thus, there have been increasing reports of friction between Liu Shao-chi, Chou En-lai, and Mao. It is of interest that numerous recent articles coming from Communist China concerning the history of the Chinese Communist party have praised only Mao, and have found fault, in at least minor respects, with some of the other leaders. It is yet too early to know whether a large group inside China is opposed to Chinese dependence upon and subservience to USSR; however, it is reasonable to expect that success in imperialistic programs in the Middle East and southeast Asia will tend to enhance the confidence of those Communists who are "ambitious nationalists" as well as Communists.

4. It is inevitable that the rapid increase in the Chinese armed services will decrease proportionately within the armed services command control by old-line Communist party men who were experienced in the long fight against Chiang Kai-shek. There have been recent reports of defections of small militia units and isolated army units to guerrilla bands. Furthermore, there is some evidence of the development of a Whampoa clique of Army officers who oppose the dependence on Moscow.

5. Communist China losses of men and material in Korea have been serious and cannot quickly be replaced. Despite reliable evidence of army unit reorganization, or accelerated technical training courses and of increasing supplies of material along China's east coast, it is unlikely that in the near future the Communists will launch an attack

on Taiwan or Hong Kong. A major assault on Taiwan would constitute premature commitment of men and limited supplies in a venture in which the Communists can expect at least US and possibly UK or UN forces to be involved. In addition to its commercial usefulness, Hong Kong is valuable as a blackmail weapon to be used in encouraging friction between the UK and US.

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**293.1122/8–251 : Telegram**

### *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

CONFIDENTIAL LONDON, August 2, 1951—noon.

675. Embtel 537 July 26.[1] Lamb reported from Peiping July 31 as fols on progress proposals for joint representations:

1. He has spoken to new Swedish Amb, who is interested, but in view his recent arrival wishes consult his govt.

2. Panikkar has suggested Swiss also might join, and Lamb finds Swiss rep agreeable in principle to representations.

3. Indian and Pakistani reps separately sounded out, and both found sympathetic in principle to idea representations. Neither objects to UK approach to their govts on subject. Lamb, however, suggest that he shld have another discussion with Panikkar before formal discussions with govts concerned. He will go no further at present pending exploratory talks with Panikkar and Swiss rep.

4. Lamb fully concurs in UKHC Delhi suggestion for preliminary approach now to GOI, as well as to GOP.

5. Lamb commented:

*a.* It is essential to continued progress not to reveal that *démarche* being considered.
*b.* Publicity in US about representations wld be menace (presumably because it wld put Chi backs up).
*c.* Any suggestion of US initiative shld be avoided.
*d.* Divergence of views re method and timing approach to Chi Govt likely, but recent arrests of foreigners in Peiping (Embtel 633, July 31)[2] might assist in obtaining unanimity of purpose.

FonOff intends now make preliminary approach to GOI and GOP re participation in joint representations.

Re final para Deptel 633, July 26, spot reaction FonOff official to suggestion of separate US approach through Soviets was not unfavorable but it was thought Lamb might have some misgiving about this approach as offering evidence to Chi of US initiative. Altho it is realized Dept under considerable pressure from friends and relatives of victims, it is suggested Dept withhold approach to Moscow pending further developments in Peiping.

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[1] The reference telegram, not printed, reported that the Foreign Office had directed Lamb to consult with his colleagues in Peking and draft a note on behalf of their nationals in China which would then be referred to their governments for approval; Panikkar would be asked whether he would be willing to join them (293.1122/7–2651).

[2] Not printed.

GIFFORD

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**793B.00/8–151: Telegram**

### *The Secretary of State to the Embassy in India*

TOP SECRET PRIORITY WASHINGTON, August 4, 1951—2 p. m.

295. Info Contel 91 July 31 and Embtel 440 (rptd Cal unnumbered) Aug 1 [1] suggests unreliable intermediaries figured critically in failure effort persuade DL leave Yatung. . . . suggests advisability utilizing [name deleted] carry message DL with view supporting waning courage and hinting DL consider reversal decision not leave Tibet. Dept suggests most practicable translation fol msg be given [name deleted] orally. . . . Believe it unwise advise any Tibetan your receipt this msg prior actual communication [name deleted].

"US Govt understands and sympathizes with reasons and circumstances which might lead to ur remaining Tibet at this time. However, US Govt desires repeat its belief that you can best serve ur people and country by evading Communist control at earliest opportunity and by denouncing agreement with Communist China after you will have reached safe asylum. Takster is well and safe in US and hopes that you will consider favorably US Govt pledge of assistance previously made you and limited entourage in asylum."

. . . . . . .

ACHESON

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**293.1122/8–451: Telegram**

### *The Secretary of State to the Embassy in the United Kingdom*

CONFIDENTIAL WASHINGTON, August 4, 1951—3 p. m.

806. Urtel 675 Aug 2 (being rptd New Delhi). Emb requested inform FonOff Dept appreciates efforts of FonOff and Lamb, but hopes FonOff will soon take more substantial action than "Prelim approach" GOI and GOP mentioned reftel. Situation imprisoned persons daily becoming more serious. Dire plight Kanady and critical physical condition Cline examples (urdes 360 Jul 19; Hong Kong tel

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[1] Neither printed.

415 Jul 31 rptd London 24; Hong Kong tel 424 Aug 1 rptd London 25).[1]

Dept concurs *démarche* shld be confidential and will cont endeavor ensure no publicity given. Also concurs re avoidance any suggestion US initiative.

Re last para urtel Dept had originally considered possible unilateral approach Moscow in event joint representations Peiping failed. Further consideration has led to view that if Sov assistance requested shld preferably be done simultaneously with joint representations. However Dept not at present actually moving toward approach Moscow. Do Brit contemplate asking Roschin participate?

Emb will note Brit representations possibly effective two cases mentioned Hong Kong's tel 439 Aug 2 rptd London 26.[2]

ACHESON

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[1] The messages under reference, none printed, reported information concerning Dilmus T. Kanady and Philip Cline, two American businessmen in prison in China.

[2] The reference telegram reported that two U.S. missionaries who had been imprisoned in Suining had been freed and deported, apparently because of intervention in their cases from Peking (293.1122/8-251).

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293.0022/8-851 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

SECRET LONDON, August 8, 1951—3 p. m.

759. Lamb, Brit rep Peiping, has telegraphed FonOff re informal after dinner chat Panikkar had with Chou En-lai August 2. Panikkar raised with Chou question treatment fon natls and summarized Chou's statements for Lamb approximately as fols:

1. Re Catholics, Chou said Commies had ample evidence it was deliberate policy Catholic Church resist Commie regime. Such activities by fon Catholics must be dealt with under Commie security law, but Chou thought if possible authorities wld not use against foreigners exactly same penal measures taken against Chi.

2. Foreign Protestants included worthy individuals who wld be encouraged to stay in Chi to do education and welfare work, and even teach Christianity. However, Chou made it plain there was no room for foreigners actively seeking converts.

3. As regards exit permits for businessmen, Chou admitted there had possibly been some delays. He insisted some bona fide businessmen always wld be welcome in Chi, and emphasized desire of Chi trade with West, pointing out that in 1950 Chi trade with West appreciably greater than trade with East (Lamb comments that Swed Amb, on routine tour govt offices after presenting credentials, also told by high officials, including Chu Teh, of anxiety Commies for trade).

4. When Panikkar mentioned fact local reps fon firms being held

responsible for obligations incurred by their principals, Chou said he was willing to look into matter, but warned he cld not intervene if action taken was in accordance Chi law.

Panikkar feels Chou's responses were generally encouraging, and that he is prepared consider any reasonable case, Lamb reports. However, Lamb himself comments he sees little evidence which wld justify optimism, Chou's refs to Chi security laws being particularly ominous. But Lamb feels Panikkar has provided convenient opening for possible representations, and therefore intends proceed with discussions with colleagues re course they shld take.

In forwarding summary, Lamb noted Panikkar probably did not intend report to his govt much of conversation, and requested FonOff respect confidence in which info given.

HOLMES

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CA Files: Lot 59 D 228

*The Ambassador in the Philippines (Cowen) to the Assistant Secretary of State for Far Eastern Affairs (Rusk)*[1]

TOP SECRET MANILA, August 9, 1951.
PERSONAL AND OFFICIAL

DEAR DEAN: I am very much disturbed to learn that there has been a change in the plans of our relationship to a Chinese Third Force movement. I have put a great deal of effort into laying the groundwork with the Philippine government for them to accept such a movement in principle and to give some practical, concrete form to this acceptance. Given the feeling of the Filipinos toward the Chinese, this was no easy task. Had we proceeded to assure the Philippine government of our willingness to accept responsibility for the activities of Third Force leaders here—a responsibility we could meet by exerting influence on these leaders, and had we clarified in Chiang Kai-shek's mind the fact that the Third Force is not anti-Nationalist, but anti-Communist and so supplementary to his efforts, it is incontestable that we should have gone a long way toward the creation of an effective anti-Communist instrument.

The fact remains that there are large areas—political and geographical—where the Nationalists under their present leadership have no influence. Nor can any increase in Taiwan's military potential give the Nationalists influence in these areas. The Chinese Communists, through terrorism at home and subversive activities abroad, are organizing all Chinese in support of their regime and they are increasingly successful in this because they meet no organized opposition. It appears to me that it is our responsibility to develop and organize this opposition in areas where Taiwan has no influence, by whatever means may be necessary, as a counterpart to our support of the Nationalists. The project which we seem to have abandoned, would, if taken firmly in hand, have gone far toward creating an anti-Communist movement among Chinese where no such movement now exists.

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[1] According to undated handwritten notes on the source text, Rusk directed the letter to the Office of Chinese Affairs, and Perkins discussed it with Cowen on one of the latter's visits to Washington.

The recent increase in Chinese Communist activities in Southeast Asia in general and the Philippines in particular is a matter of grave concern to me. The local governments in this area have little or no capabilities to prevent the build up of large, effective Communist undergrounds among their Chinese populations. These Chinese, given the pattern of their political relationships with the governments under which they live, neither will nor can resist this Communist effort by themselves. They will only do so on receipt of help, advice and direction from us. While the Communist effort in this field is a large one, it lies well within our capabilities to make a comparable, successful counter effort. Indeed, it is incumbent on us to do so, unless we are willing to see the Chinese of Southeast Asia mobilized as a Communist fifth column.

I would conclude by saying again that there is nothing in the Third Force idea that detracts in the least from Taiwan's potentiality. It would doubtless detract from the prestige and self esteem of Chiang and his principal followers, but these are scarcely to be reckoned as factors contributing anything toward the American position, or even the total anti-Communist position, in Asia. I hope that as our Asiatic policy develops in the near future, it will accommodate as an integral part the Third Force idea and that we will have some share here in the implementation of that idea.

Sincerely, MYRON

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**793.5511/8-1051**

### *The Chargé in the Republic of China (Rankin) to the Department of State*

SECRET TAIPEI, August 10, 1951.

No. 66

Ref: Weeka Telegram No. 26, June 29, 1951
Weeka Telegram No. 31, August 4, 1951
Toeca Telegram No. 740, August 4, 1951
Embassy Despatch No. 54, August 6, 1951
Toeca Telegram No. 752, August 9, 1951 [1]

Subject: Call-up of 15,000 Men for Chinese Armed Forces

There are enclosed herewith copies of a letter of July 31, 1951, addressed by the American Chargé d'Affaires to the Chinese Foreign Minister, and the latter's reply of August 10, 1951,[2] regarding the call-up of 15,000 men for the Chinese Armed Services which was announced July 25. The two letters are self-explanatory, but further details may be obtained from the references listed above.

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[1] None printed.

The action of the Chinese Government in announcing the conscription of 15,000 additional men was perhaps not in itself a matter warranting official American opposition. It is understood that the Armed Forces would still have been somewhat under the strength authorized when the 1951 budget was adopted. However, the particularly critical financial position at the present moment, the fact that the MAAG had not been consulted, and the delay in replying to the Embassy's communication of July 20, 1951,[3] on the control of expenditures, all suggested the wisdom of making something of an issue of the matter.

The Chinese military authorities are not accustomed to being crossed, and at first were adamant in insisting that the call-up should go through as planned. The Generalissimo is reported to have sided with them for a time at least. The Chargé's letter to the Foreign Minister was intended to make the matter very clear but not an open issue. It was reinforced by verbal representations in various quarters. The fact that the Chinese military finally climbed half-way down from their earlier position is sufficient evidence that they were impressed with American insistence, however tactfully applied.

To date the entire affair has been kept out of the press, so that no serious loss of face is involved. It is hoped that the result will have a salutary effect in the proper quarters.

K. L. RANKIN

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[Enclosure]

### *The Chargé in the Republic of China (Rankin) to the Chinese Foreign Minister (Yeh)*

CONFIDENTIAL TAIPEI, July 31, 1951.

MY DEAR MR. MINISTER: Confirming our conversation of last evening I hope you can make clear to your colleagues in the Government that we take a very serious view of the circumstances under which 15,000 recruits are scheduled to be called up for service in the Armed Forces.

In the first place, a response to my memorandum (No. 8) of July 20 is still being awaited. As you recall, that memorandum requested the

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[2] Foreign Minister Yeh's reply, not printed, stated that the calling up of 3,000 of the original 15,000 men was to be indefinitely postponed and that 4,568 noncommissioned officers who had received special training were to be released and placed on reserve status.

[3] See telegram 42 to Taipei, July 13, 1951, p. 1750.

Government of China, as a matter of urgency, to formulate procedures designed to bring its military and civilian expenditures under planned control. This was done upon specific instructions from the Department of State, and the importance we attached to the subject was evidenced by the fact that Dr. Moyer, General Chase and I discussed it at a special conference with the Generalissimo on the same day you received my memorandum.

Secondly, you are familiar with the extraordinary efforts being made by the economic branches of your Government, in close cooperation with ECA, to close the serious budgetary gap which now threatens the entire financial structure of this island. It was with this situation in mind that General Chase has reiterated to the Chief of Staff, General Chou Chih-jou, his opposition to any addition of recruits to the Armed Forces.

Under the circumstances we see no justification for the action of the Ministry of National Defense in calling up these recruits, at a substantial cost to the Government, without full prior consultation with the American officials most immediately concerned and against their known opposition in principle, as well as without the approval of the Economic Stabilization Board. If such action is permitted, then the operations of the Board and the efforts of ECA experts to assist in budget and tax improvements become largely meaningless. This will be only too apparent to our Government in Washington.

I see no alternative, therefore, to asking you to persuade the Executive Yuan to defer indefinitely the implementation of this order calling up recruits. I would ask also that a reply to my memorandum of July 20 be expedited in order to establish procedures as soon as possible which would prevent a recurrence of such developments as that under immediate discussion.

I have written to you in the form of a personal letter, in the hope that this question can be solved discreetly. However, I would ask you to leave no doubt in the minds of your colleagues of the seriousness with which we regard this matter.

Sincerely yours, K. L. RANKIN

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293.0011/8–1051 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

CONFIDENTIAL LONDON, August 10, 1951—6 p. m.

814. Embtel 749, Aug 7.[1]

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[1] The reference telegram reported that, following a conversation with an Embassy officer, the Foreign Office had urged Lamb to expedite preparations for joint representations on behalf of foreigners in China. The Foreign Office had not planned to ask Roschin to participate, but Lamb reported that Roschin had told Panikkar he had spoken to Chou En-lai about the plight of foreigners; Lamb had no information about Chou's response (601.4193/8–751).

A. In series of tels dated Aug 7 Lamb has reported to FonOff along fol lines:

1. At mtg on 6 Aug between Brit, Indian and Swiss reps fol factors taken into consideration:

(*a*). Panikkar had approached CPG orally on high level and fol up with *aide-mémoire.*
(*b*). Sov Amb had likewise approached CPG on high level.
(*c*). Swiss min had been given discretion make reps on behalf Swiss, Ital, PR and Spanish natls, mostly missionaries.
(*d*). Swedish Amb, though sympathetic, reluctant press reps so soon after arrival.

2. Fol conclusions reached at mtg:

(*a*). Joint or identical reps undesirable.
(*b*). Tactically it wld be preferable stagger approaches so as to give appearance independent action while stressing same principal points.
(*c*). Prospect of success wld be prejudiced by injudicious publicity and by giving Amer interests too much prominence.

3. Fol agreements reached:

(*a*). Swiss shld proceed with oral reps in week or so.
(*b*). After similar interval had elapsed, Brit wld make reps on behalf own natls and Amers and Canadians as well. UK reps shld be in writing in view practical certainty Brit rep wld be refused personal interview.
(*c*). Other countries (i.e., Norway, Sweden and Denmark) shld be approached by UKG suggesting their reps in Peiping be authorized take appropriate supporting action.

4. In view abandonment of idea of joint approach there wld seem to be no obstacle to us asking USSR intervene with CPG.

B. FonOff has replied to Lamb approving decisions reached at mtg and asking for draft of protest which Lamb wld present CPG. On approval draft wld be communicated to govts of Nor, Sweden and Denmark with recommendation they take supporting action. FonOff suggests any publicity be withheld until, say, 3 weeks after reps made.

HOLMES

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**793.00/8–1051 : Telegram**

*The Secretary of State to the Embassy in the Republic of China*

SECRET WASHINGTON, August 10, 1951—8 p. m.

124. Dept desires you seek early opportunity discuss with FonMin reported attack Li Mi forces Burma[1] against Yunnan and public attribution to Chi Govt responsibility this operation. You shld point out that public assumption responsibility by Chi Govt wld appear

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[1] For documentation regarding U.S. concern over the presence in Burma of Chinese Nationalist troops commanded by General Li Mi, see vol. VI, Part 1, pp. 267 ff.

inconsistent with previous assertion Chi Govt, which US Govt transmitted in good faith to Burm Govt, that Chi troops Burma "form no part Chi fighting force and Chi Govt no longer has any control over them". Furthermore, apparent acceptance responsibility aggravates concern of Burma and other countries at use Burm terr as base from which to stage mil operations against adjacent for terrs and might cause serious embarrassment if Burma shld raise issue in UN. You shld inform FonMin that these are aspects of situation which we believe Chi Govt in its own interest wld wish to give most careful consideration before assuming any public responsibility for mil operations of nature reported to have taken place on Burm frontier.

ACHESON

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**793B.00/8-1351 : Telegram**

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, August 13, 1951—2 p. m.

114. Late on July 18 opportunity arose send message to Ragashar Shape, Tibetan Defense Min, by [name deleted] . . . . As [name deleted] was leaving early . . . there was no time obtain instructions. In view, however, of our knowledge of . . . anti-Communist, pro-US background, . . . we thought it advisable accept . . . offer take message to him. Important consideration was fact previous messages had been sent DL only, with consequent probability, in view many instances failure Tibetans confide in each other, that influential Kashag might not be aware US Govt position.

Message given [name deleted] was unsigned and like other similar messages did not contain any ref US Govt. . . . agreed give message to Ragashar with oral indication of US origin. . . . acted purely as private individual in this. Emb on being subsequently informed indicated approval.

[Name deleted] returned Calcutta . . . and reported overtaking DL's party at Phari Dzong after rigorous 35 hour ride from Gangtok. Ragashar told . . . there was still good chance of DL coming to India but he (Ragashar) would be unable convince Kashag of US Govt interest without signed letter on US letterhead. We referred this to Emb which expressed view it was unwise transmit such signed letter to Ragashar, also no further message shld be sent him pending instructions from Dept re Deptel 295, Aug 4 to New Delhi as amended Embtel 507 Aug 6.[1]

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[1] In telegram 507, not printed, the Embassy suggested that, since it was not certain if and when the intermediary recommended by the Department in telegram 295 would return to Tibet, the proposed message should be translated into Tibetan, omitting all references to the U.S. Government, and transmitted by courier; it also suggested that the phrase "in India or Ceylon" be added to the end of the second sentence (793B.00/8-651).

Subsequently we received Deptel 333, Aug 9 to New Delhi[2] which although referring only to proposed message to DL, indicates Dept willing leave considerable discretion to Emb.

Last evening Linn and I had talk with [name deleted] who is intelligent and shows clear understanding situation in Tibet as well as Tibetan psychology. . . . gave us following info from Ragashar who . . . has throughout been in favor of DL's coming to India. DL himself desires come India but decided return Lhasa first owing heavy pressure from all sides. Upon arriving Lhasa Tibetan Govt (i.e. Kashag) will negotiate with Chi del re Sino-Tibetan agreement which Tibetan del forced sign without authorization. DL and govt will also be able consult [name deleted] . . . who is reportedly anti-Commie. If Chi insist on sending large number of troops into Tibet, especially to Indian border, Tibetan Govt will refuse and will urge DL come to India, in which event he would have support of all major factions which he did not have when question discussed Yatung. Tibetans convinced Chi have insufficient troops in either east or west Tibet to force issue now. [Name deleted] did not see DL but asserts foregoing accurate picture situation.

[Name deleted] stated Ragashar's reaction to message . . . gave him was one of incredulity as he could not believe if US willing assist, US unwilling make formal pledge. He told . . . unsigned message would not convince Kashag if, as he believes, opportunity should arise in Lhasa make effective use US offer assistance in bringing about DL's departure.

I pointed out on basis Emb's instructions that if any signed message fell into unfriendly hands would most certainly be used our great disadvantage as evidence US endeavor disrupt ostensibly friendly relations between Tib and Chi, also could be to disadvantage Tibetan Govt. [Name deleted] replied such eventuality most unlikely, as no Chi troops in Tibet between Gartok in west where according Ragashar there are only 500, and Chamdo in east where Chi garrison reduced to 2,000 from original 30,000. Only other Chi's likely to be encountered were 5-man Chi del which incidentally is travelling separately from DL's party. . . . discounted reports DL surrounded by Chi agents and sympathizers.

[Name deleted] offered take signed message to Ragashar at . . . own expense. Alternately we could designate messenger. . . . said it immaterial which US official signed letter so long as it was formal statement. . . . suggested duplicate be prepared for 2 Lhasa regents who are expected play important role in discussions. I said I would request instructions and could give no assurances.

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[2] Telegram 333, not printed, approved the changes proposed by the Embassy and stated that, although the Department would prefer to have the message delivered orally by the emissary it had previously recommended it left the timing and selection of a messenger to the Embassy's discretion (793B.00/8–651).

. . . Matter extremely urgent as DL's party due Lhasa this week.

I appreciate reasoning behind our previous practice of sending unsigned unidentified messages to Tibetans but believe there is considerable force in arguments presented by Ragashar and [name deleted] we have info from other sources (being transmitted soonest) that DL still desires come India and that Tibs may disavow agreement following discussions in Lhasa. In such circumstances, formal statement our attitude might be deciding factor.

I suggested to [name deleted] that Ragashar might ask DL appoint accredited rep to deal with US reps in India but . . . points out time insufficient.

If Dept and Emb inclined send formal message, I believe we shld consider [name deleted] offer act as messenger. Shakabpa and [name deleted] are both back in Kalimpong but could only send someone with message. . . .

Request urgent instructions.

Sent Dept 114, rptd info New Delhi 110.

WILSON

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**Rankin Files: Lot 66 D 84**

## *The Chargé in the Republic of China (Rankin) to the Assistant Secretary of State for Far Eastern Affairs (Rusk)*

SECRET TAIPEI, August 13, 1951.

OFFICIAL–INFORMAL

DEAR DEAN: Nearly five months have gone by since I saw you in Washington [1] and it may be time for an informal review of the past as well as a look ahead.

I recall that one of the points you emphasized was the importance of the Chinese keeping out of American politics. Both before and since that time I have worked on this problem; at least a number of the leading Chinese here can no longer be in doubt as to how we stand on this point and where their own best interest lies. In actual fact, I am fairly well persuaded that nothing of consequence is now being done in this field except by persons over whom the Chinese Government has little or no control. The latter include various Americans in and out of public life as well as certain unofficial Chinese residing in the United States. Such material as we have unearthed at this end has been reported to the Department (see, for example, mytel 1717 of June 17, which also referred to previous communications; also our despatches 11 and 28 of July 7 and 13,[2] respectively). In the absence of comments from the Department I am unable to determine how any or all of this may complement information available in Washington.

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[1] Rankin had visited Washington for consultations in late February and early March 1951.

Incidentally, one of my earlier efforts to discourage the Chinese from a partisan demonstration seems to have backfired, but I hope without doing any harm. I refer to my confidential despatch 84 of November 27, 1950, on Senator Knowland's visit to Formosa, which the Department supplied to the Senate Committee during the MacArthur hearings.[3]

A second point which you brought up was that the Nationalists should do a better job of winning the support of overseas Chinese in various parts of the world. This subject naturally has had some attention from all of us right along, but I asked Rinden[4] to review it in a comprehensive despatch. The result is No. 330 of June 21, 1951,[5] which seems to me a very workmanlike job; it is entitled "Overseas Chinese and Nationalist China". Foreign Minister Yeh, who is specifically responsible for cultivating relations with the overseas Chinese, has discussed the matter with me on numerous occasions. He and others seem to be making a genuine effort, and I believe that this effort should be continued. Frankly, however, I do not expect much to be accomplished of a tangible nature except as this island takes on more and more of the appearance of a band wagon as a result of our military and economic aid. Promoting trips to Formosa, inviting individuals of some prominence to come here and take official positions, and exchanging basketball teams and bands may be about as far as we can expect the Chinese Government to go for the time being. Yeh tells me that they are particularly avoiding the solicitation of financial assistance from the overseas Chinese living in various parts of Asia; they fear that such action would scare many of them off at the present time. On the other hand, they would welcome suggestions from us as to how they might collect taxes from Chinese residing in the United States.

I agree that we should not put all of our eggs in the Formosa basket, but I still feel that we should not expect very much from any "Third Force" in China. If I recall correctly, this term was first used in France. At any rate, for a number of years we have been looking around in various countries for nice, clean, honest, "democratic", middle-of-the-road groups to which we could give our support. We have at least something substantial to work with in Western Europe, although even there our search has not been notably successful. One basic difficulty is that where Communism is an immediate and serious threat there seems to be no place for middle-of-the-roaders. People have to choose one side or the other; neutrality becomes an anachronism.

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[2] None printed.

[3] See Karl Lott Rankin, *China Assignment* (Seattle: University of Washington Press, 1964), pp. 75–78.

[4] Robert W. Rinden, Second Secretary at the Embassy in Taipei.

[5] Not printed.

The so-called Third Force in Hong Kong seems to have neither organization, program nor money, except for what financial support some of our people may be giving them. The relatively large committee set up in an effort to coordinate matters has proved unwieldy and could scarcely have been expected to unite such disparate and even mutually hostile elements. In any case, the British seem to be putting on the heat, with the result that our most prominent worthies reportedly are moving to Manila. (The British also have clamped down on various Nationalist operations in Hong Kong to date; eight of the leaders are said to be in jail). Just what we are doing in Singapore, Bangkok and elsewhere I do not know, but I have been somewhat disturbed by vague rumors that we are reviving Wang Ching-wei[6] remnants in Japan for Third Force purposes. I assume, however, that all of this is being coordinated somewhere along the line.

The encouragement of any and all anti-Communist elements is justified up to a point where the law of diminishing returns begins to operate. It is not a bad idea at all to keep the Nationalists and the others on their toes by giving appropriate support to all of them, but when they begin to feel that we intend to play them against each other in any important respect, we shall begin to lose not only their confidence but their cooperation. We are already noticing that here to some degree.

The third point you made was, as I recall, that the Chinese Government must put its economic house in order. In this field they have done rather well during the past year. Ray Moyer will have discussed this with you in Washington, but I might refer to a recent ECA telegram from Taipei (No. 701, July 26),[7] which summarizes the situation and a considerable part of which I drafted myself. The essential considerations are that little more can be done in the way of raising revenues or reducing expenditures, and that if we are going to do a job here it will cost a lot of money. Assuming that all of our best efforts are exerted, the more funds we have, within reason, the better job we can do. And $50 million additional now may be worth $100 million more a year or two hence.

Seen from Washington, as a comparatively minor part of a global problem, our insistence on the need for more economic aid for Formosa may seem exaggerated. I assure you that it is not. Our present military-economic program for this island is considerably larger than that for which $350 million was spent in Greece during the first year of the Truman Doctrine when world prices were appreciably lower. The size of the civil population is about the same in each case, but the military establishment on Formosa today is nearly three times as large as that of Greece in 1947–48. I would be willing to settle for a smaller military program here in FY52 if the savings could be diverted to economic support (see mytel 1458 of April 20): the latter is more urgent.

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[6] Head of the Japanese-sponsored regime at Nanking, 1940–1944.

[7] Not printed.

In the absence of MDAP Formosa would require outside economic assistance for FY52 of approximately $75 million to keep the economy afloat, assuming no further drafts on the modest gold reserves still held by the Central Bank. I understand that we now propose to allocate military "hardware" valued at $217 million in the current year. Our best estimate here is that $75 million should be added to the total for purely military items to cover additional imports (POL, etc.) for military purposes and to prevent monetary inflation as a result of increased local currency expenditures incidental to the military program. To make a $217 million military hardware program fully effective, therefore, we should have approximately $150 million additional for all other categories of aid. Yet $90 million is all that Congress was asked for, and even this figure may be reduced.

It is true that ECA allocated a substantial sum to Formosa toward the end of FY51 which will be reflected in commodity imports during FY52. However, there will be a partially offsetting carry-over into FY53. The ECA Mission tells me that, assuming the $90 million allocation is adhered to, Formosa will have, in effect, about $38 million less than they requested for FY52. This figure is only 12 percent of what we propose to spend in any case, but it may well represent the difference between a balanced, full scale operation, and one involving severe limitations.

The possibility of modifying our military program in the light of matériel availabilities and the amount of economic aid authorized should, it seems to me, be looked into immediately. Whatever the sum made available for strictly military purposes in FY52, it presumably would be fully obligated during the year. It is more than likely, however, that many of the military items so ordered could not be delivered until FY53 or even 54. This is particularly true of artillery, tanks and communications equipment. American productive capacity for all such critical items doubtless will be used to the full in any case, and there would seem to be obvious advantages in not allotting them to individual foreign countries so far in advance. The situation a year or more hence may be quite different from that today. In any event, a substantially smaller sum than $217 million, plus the carry-over of $71 million from FY51, should cover everything that Formosa could expect actually to receive in the way of matériel during the next 12 months and still provide a normal carry-over into FY53. Such savings would have no practical effect on our FY52 military program and might be used to justify the larger economic aid without which both programs may be seriously curtailed. I hope that flexibility of this order will be maintained in the interest of optimum results.

There is also the more fundamental question of the standards to be followed in arming "underdeveloped" countries. This is in large part a technical military matter, but it is one that deserves the best thought of all of us if we are to get the most out of our resources. Of course, we are not going to provide battleships or super-bombers to such countries as China, Thailand, Iran or even to Turkey, Greece or Yugoslavia. But lines should be drawn very much lower than this. Whenever I see Chinese soldiers riding about in American trucks, I think we would do better to provide them with good shoes and more proteins in their rations. When I see tanks go by—or stand in junk yards—it makes me wonder what will happen to the new and highly complicated Pattons which we have planned to furnish them at a cost to the taxpayers of $240,000 each. Moreover, by the time the Chinese are ready to maintain and operate such weapons properly, the Patton may well be obsolete.

It seems all too evident that for countries where there is plenty of manpower, but a shortage of technical skill and manufacturing facilities, we should provide as a matter of policy the simplest possible arms. I am thinking of light automatic weapons, bazookas, mortars, rockets, recoilless rifles, hand grenades, mines, etc. Often these, and any needed ammunition, can also be manufactured by simple methods in such places as Formosa. Going a step higher, it may be questioned seriously whether any countries outside Western Europe (probably excluding Japan also for the visible future but for different reasons) should be furnished with aircraft larger than fighter-bombers, or artillery above 105 mm, or naval vessels for other than patrol needs. If we go appreciably beyond such standards we shall not only be spending excessive sums at the outset but also burdening these countries with equipment which they can never afford to maintain or renew with their own resources.

In summary, it seems to me that our underdeveloped friends should be armed primarily for defense. If this is well done, further Communist aggression will be discouraged and we shall also have useful allies in case of trouble. We, with some help from Western Europe, would be compelled in any case to provide the highly modern striking forces of bombers, carriers, submarines, tanks, etc., without which victory could not be ours in a large conflict.

Along these lines I believe that we could make out very well with a substantial reduction in military expenditures for Formosa. However, this would not permit of a proportionate decrease in economic and quasi-military outlays. The chief explanation is that many quasi-military expenditures are essential features of the first year during which MDAP will operate. As a rough estimate, the additional $[illegible] million mentioned above would also be a measure of the non-recurring expenditures incidental to inaugurating the military aid program, including additions and repairs to docks, airfields, roads, warehouses, etc. Most of this should not be postponed. We are already very late and such construction work takes time.

Any way we look at it there is a great deal of money involved, and the end is not in sight. I believe, therefore, that we should project our thinking well beyond the current fiscal year. Of course, a general conflict might break out at any time, in which case we should have to revise much of our planning in Formosa and elsewhere. But I take it that our policy is to prevent such an outbreak if at all possible and, by implication, to preserve more or less the *status quo* in anti-Communist countries around the Curtain. I take it also that we expect to succeed in carrying out this policy. If so, we should be looking ahead five or even 10 years in Formosa. We should then come face to face with basic problems which we have tended to avoid because of their medium to long-term character. Among these problems are the future of the Chinese military establishment on this island, the reorientation of export and import trade, and a related shift in agricultural and industrial production.

Without going into great detail in this letter, I believe that we should undertake studies to determine how much the armed forces could be reduced over a period of years while maintaining or actually increasing their total combat effectiveness. Other export commodities probably should be developed to replace sugar, which now accounts for 80 percent of Formosa's export trade and yet apparently cannot be produced economically under local climatic conditions. Domestic production of certain essential items, notably chemical fertilizer, should be expanded and imports reduced accordingly. This short list will illustrate what should be done if Formosa is to enjoy increasing stability and the burden on the American taxpayer gradually reduced.

I believe, too, that when we take a longer range viewpoint the political situation falls into better perspective. Whatever the shortcomings of the regime on Formosa, it is evolving and, on balance, improving.

Certainly it differs enormously, both in theory and practice, from the Communist strait jacket which holds the Mainland. And individuals do not live forever! Now that the United States is again taking a decisive part in supporting Free China's economy and its armed forces, we can use these channels to influence other developments. China has the oldest civil service system in the world but it needs to be modernized. Governor Wu would welcome American help in this field, particularly in devising methods of job analysis which would gradually weed out unnecessary employees. Paralleling this, better systems of pay and promotion should be introduced in both civil and military services as a prerequisite to eliminating squeeze and promoting general efficiency. There will always be squeeze in any country where government employees cannot live on their pay! Budgetary, accounting and tax procedures also need attention and are already receiving it from ECA specialists who have recently arrived.

In summary, I believe that we could well adopt a simple formula for our effort here: improve efficiency while retaining enough individual liberty so that a genuine Chinese democracy can evolve.

In the process of looking ahead it is also important to keep our thinking clear on the fundamental problem of overpopulation in so much of the Far East. The Communists have promised higher living standards without caring whether these promises could be kept. Americans have tended to outbid them in this regard, with the best of intentions but without realizing the full implications of such promises. During the current fiscal year we are by way of assuming at least a degree of responsibility for the economic welfare of nearly 700 million people in Asia and its nearby islands. For this program we propose to spend an average of about 54 cents a head. A great deal of good can be done with this money, but no one can pretend that it will produce any discernible rise in general living standards. As a matter of fact, we shall be doing very well indeed if we can prevent present standards from declining in the face of fears and dislocations caused by the Communist menace.

Of course we can and should push on with our programs of technical assistance and of direct economic aid to meet emergency conditions. But we know that improvements in the fields of agriculture and public health will be offset by a net increase in population as regards any general effect on living standards in most of Asia, including Formosa. Only when such efforts are complemented by wide scale industrialization and birth control will the economic lot of the common man in Asia begin to improve. This is not only a very long term conception, transcending any aid program we have ever envisaged, but it also involves fundamental questions of economic security. Elimination of colonialism also did away very largely with sound currencies, reasonable credit facilities and a conception of property rights essential to private enterprise. However much the colonial powers may have profited in the past, a very large number of Asiatics benefited economically from colonial rule. Now all of them are being thrown back upon the oldest of all forms of economic security: breeding the largest possible number of children. The Communists could not have ordered matters better toward the attainment of their ends.

We are feeling all of this here in Formosa. The population is increasing rapidly from an excess of births over deaths. Due to this fact, and to the much more rigorous collection of taxes from the largely agricultural population, some of our best American experts have become convinced that the average inhabitant of this island is worse off economically than he was a year or two ago. Yet during this period there have been very real improvements in agricultural production and in marketing methods, largely as a result of the assistance of ECA and its affiliated JCRR. Now we are complicating this problem enormously, although quite properly, by a large scale program of military aid. It is none too soon to undertake a careful study as to where all of this is leading us. Such a project is worthy of the attention of two or three of the best men the Department and ECA can find. Several months probably would be required to complete such a study, during which time those participating should be free from any operational or administrative responsibilities. Their findings might well provide not only a blueprint for the future of Formosa but also a useful guide in developing our Mutual Security Program for other countries of Asia and the Pacific area.[8]

Sincerely yours, K. L. RANKIN

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[8] Rusk replied in a letter of November 16, 1951, thanking Rankin for this letter and for letters of October 1 and November 1, neither printed, which dealt primarily with the question of how U.S. forces on Formosa should fit into the U.S. military chain of command. A postscript to Rusk's letter, in his handwriting, read as follows: "Karl: This is not a routine brush-off; your letters raised some extremely fundamental points which will take considerable time to go over. The command question is particularly tough. DR" (Rankin Files: Lot 66 D 84).

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793.00/8-1451: Telegram

### *The Chargé in the Republic of China (Rankin) to the Secretary of State*

SECRET TAIPEI, August 14, 1951—2 p. m.

214. Remytel 174 August 6.[1] Substance Deptel 124 August 10 discussed with FonMin yesterday. He insists ChiGovt has discouraged

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[1] The reference telegram reported a conversation with an official of the Chinese Foreign Office, who had minimized the importance of a press report that Li Mi's forces had invaded Burma from Yunnan (793.00/8-651).

every possible way discussion of Li Mi operations from Burma against Yunnan and that there has been no public assumption responsibility. However ChiGovt cannot be responsible for indiscriminate use of "Nationalist" in press desps by fon correspondents or for their attribution various alleged statements to unnamed ChiGovt officials.

Foregoing supported by my own observation. Stories re Li Mi appear originate Rangoon and Saigon. Fon correspondents in Taipei naturally try to get in picture and of course gossip available here which can be made appear more or less auth. Local AP correspondent reports his inquiries at MND and other govt offices evinced desire of ChiGovt not to publish Li Mi operation.

RANKIN

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**793B.00/8–1451 : Telegram**

*The Chargé in India (Holmes)*[1] *to the Secretary of State*

TOP SECRET PRIORITY NEW DELHI, August 14, 1951—8 p. m.

613. Ref Contel 114, rptd New Delhi 110, Aug 13 from Calcutta. Emb appreciates opportunity which exists in possible transmittal letter on US letterhead signed by Amer official to Tib Defense Min . . . for purpose persuading Tib officials to disavow Sino-Tib agreement and to advise DL to leave Tibet.

Emb believes, however, risks involved in transmittal proposed letter are far greater than advantages which may result for US and Tibet.

If such document fell into Commie Chi hands, it might be used as evidence US endeavor imperialistically to interfere in internal affairs of Tibet and to disrupt ostensibly friendly relations between China and Tibet. It might even be possible, if Tibs were hard pressed in further negots with Commie Chi, that Tibs might use such document to reinforce their position.

Emb questions, in any event, whether additional communication from US, even on US letterhead and signed by Amer official, would increase Tib knowledge and belief in US position. As Dept and ConGen aware, all previous msgs re US position were transmitted to DL through two and in some cases three channels of communications. These channels included Shakabpa, Taktse and Harrer. Important Tib officials surrounding DL were probably informed substance these msgs in transmission to DL by DL fol receipt. Harrer has informed Emb DL sent him two ltrs in which DL acknowledged receipt all US communications and indicated that he himself would have preferred to leave Tibet but decided return Lhasa in accordance with "wishes and opinion of the majority of Tibet".

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[1] Horace C. Holmes, Chief Agriculturist at the Embassy in New Delhi. Holmes was apparently the senior officer at the Embassy in the temporary absence of Henderson and Steere.

On balance, therefore, Emb believes DL and Tib officials are well informed re US position and that proposed letter to Tib Defense Min would not sufficiently add to such knowledge to justify risks involved. Furthermore, Dept msg quoted in Deptel 295, Aug 4 as amended in Embtel 507, Aug 6,[2] which [name deleted] will carry to Lhasa when he leaves Calcutta . . ., should provide further evidence to DL and Tib officials of continuing US interest.

At later stage, when some definite indication of developments at Lhasa is recd, Emb envisages that a further message of encouragement might be sent. In such message Emb believes it might be helpful to suggest that DL send personal rep in whom he and Tib officials had confidence to India for informal discussion with Amer officials. Such rep would be able return Tib and make report which would confirm substance US position and wld be more likely serve as basis for such further actions as DL prepared to take. In addition, Taktse might write DL at that time observing that Taktse's own ltrs may not be reaching him and recommending rep be sent India for informal discussion with Amer officials re possible future courses of action.

Suggestions advanced in foregoing para are based on belief Tibs in Lhasa will continue to "stall" in their negots with Commie Chi and have merit of avoiding dispatch official US documents to Tibet where they may reach unfriendly hands.

Sent Dept 613, rptd info Calcutta 83.

HOLMES

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[2] See footnote 1, p. 1776.

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793.00/8–1551 : Telegram

## *The Consul General at Hong Kong (McConaughy) to the Secretary of State*

SECRET HONG KONG, August 15, 1951—4 p. m.
[Received August 15—1:23 p. m.]

650. ConGen contacts on Kwangtung principally Catholic priests coming out and persons with guerrilla connections give picture of diminishing overt resistance there. Guerrillas for most part said to be lying low as action bring prompt and heavy retaliation. At same time there is evidence Commies having increasing difficulty with disaffection and corruption among lower cadres and not infrequently find it necessary take action against party members. Possibly authentic directive published in *Hua Chiao Jih Pao* August 1 said to have been issued by Tseng Shing-hsien, CCP Comite warns

against possibility of Nationalist invasion of mainland with US assistance and exhorts cadres to intensify campaign against bandits and purge local persons who lack popular support. It is quite credible Commies in Kwangtung worried over a possible US supported offensive action as result publicity given statements by prominent Amers advocating such action against mainland, . . . .

Info hangs on Kwangsi report guerrillas there under heavy pressure. Recent arrival from west Kwangsi told ConGen informant that guerrillas that area split by current Commie suppression drive into three separate groups and short both food and ammunition. South Kwangsi guerrilla leader who arrived month ago told ConGen his small force just able maintain self in mountains but not expand. Others in frequent touch with new arrivals from Kwangsi pessimistic regarding guerrillas future. Former Governor of Kwangsi Huang Hsu-chu quoted by reliable source as saying it is folly to plan in terms of guerrillas at this stage. While not all observers as discouraged as Huang opinion more and more gen that only direct, continuous Amer aid can enable guerrillas to survive as active anti-Commie force. Generally agreed upon fact that main railways and highways of Kwangsi now practically free of guerrilla interference is clear indication of latter's diminishing influence. While they have by no means been reduced to few thousand as recently claimed in Commie propaganda their numbers and activity certainly not increasing in Kwangsi.

In contrast above picture Hong Kong press past several months has carried large number accounts of alleged sabotage by guerrillas, shooting of Commie cadres and defection military units particularly in Kwangtung and Kwangsi. Nearly all such stories impossible verify and ConGen has maintained skeptical attitude particularly toward those in strongly pro-KMT Hong Kong *Shih Pao* and *Kung Shang Jih Pao* whose rather sensational reports have more than once proved without foundation. However, Hong Kong polit advisor who has also been skeptical of such reports, is swinging to view that there is some foundation for belief that there has been flare-up of anti-Commie activity at least in Kwangtung. He told ConGen that Brit observation posts confirmed that large explosion took place Shumchun on August 3 and that press reported guerrillas threw grenades into military depot there and destroyed several hundred drums kerosene, tires and other items.

ConGen still disinclined to believe anti-Commie elements these two provinces becoming more active. Undoubtedly many incidents of sabotage and opposition occur particularly in areas where Commie land program being put into effect but such incidents are not indicative of improvement in guerrilla supply, organization or numbers. Reports of friction between local Commies and northerners and of Commie anxiety over possible Nationalist invasion are encouraging but have hardly reached stage where they wld lead to frequent defection to guerrillas. Those whom ConGen considers most competent to judge feel that guerrillas fighting losing battle. Unless they receive effective outside aid they will be reduced by end year to small scattered pockets which may be able to survive but can hardly represent more than irritant to Commies. By this time completion of Commie land program will have established polit controls in countryside similar to those of north Chi which wld make it much more difficult for resistance groups to operate.

Pouched Taipei.

McConaughy

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**293.0011/8–1551 : Telegram**

### *The Chargé in the United Kingdom (Holmes) to the Secretary of State*

CONFIDENTIAL LONDON, August 15, 1951—2 p. m.

883. Embtel 814, Aug 10. On Aug 11 Lamb submitted to FonOff draft note and memo re plight foreigners, to be presented CPG. As FonOff will revise and then circularize Scandinavian countries, Neth, Belg, Commonwealth and US for their approval, Emb not forwarding texts.

In general note will express grave concern Brit Govt at developments in China prejudicial to Brit commercial and other interests and to general conditions of life fon residents. Memo to be submitted with note will describe Brit difficulties at greater length and particularly mention disquiet created by numerous arrests of foreigners and denial normal rights to arrested persons. It will warn that such treatment must have serious repercussion on public opinion abroad, and express hope Chi will study possibility adjustment and amelioration of difficulties described, not only on humanitarian and equitable grounds but also in interests trade and friendly relations.

Under date Aug 13 Lamb reported:

1. Both Swedish Min and Norwegian rep were sympathetic to idea of representations but doubted whether their natls interests sufficiently affected to justify similar representations at present. Therefore Lamb felt no need delay on this account publicity re Brit representations.

2. While Peiping reps all feel there shld be no public disclosure of joint consultations re concerted action, Lamb raised no objection to publicity re Brit representations only, altho wld prefer that actual text communication to Chi not be made public. In his opinion there shld be no publicity until at least one week after representations made.

3. Lamb not sanguine re success representations but believes chances will be appreciably improved if number of other govts record their concern. He particularly hopes that gen insistence on principles of human liberties and fair conditions of trade might persuade Chi give more sympathetic consideration to representations regarding individual cases in future, although he feels they not likely modify policy or withdraw existing restrictions and impositions.

Re suggested approach to USSR for assistance (para 3, Deptel 806, Aug 4), Lamb has commented to FonOff he sees no objection, provided US made request independently, without reference Brit representations in Peiping.

HOLMES

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**793B.00/8–1851 : Telegram**

*The Acting Secretary of State to the Consulate General at Calcutta*

TOP SECRET PRIORITY WASHINGTON, August 15, 1951—7 p. m.

81. Dept has given careful consideration ur 114 rptd New Delhi 110 Aug 13 and has concluded that indeterminable advantage of sending single or dupl ltrs bearing authentic imprint US Govt to Lhasa officials wld be outweighed by clear danger ltr wld fall into Commie hands and definitely unfavorable effect of later revelation of ltr by Commies. To be of use to Kashag, US Govt wld have appear commit itself to courses action such as financial and arms aid which it is not in position explicitly to do. Revelation of DOC with misconstruction placed on it by Commie world wld undoubtedly be useful in depicting US to Asia in role cast for us by our adversaries. Revelation wld probably be damaging to us with respect GOI and tend lessen Indian resentment toward CPG which may develop as Chi Commie control over Tibet consolidated.

FYI, DL in ltr (via urdes 37, Jul 23) [1] as read to us by Taktser, expressly named latter as his rep in US and for contact with officials here whenever necessary.

You shld explain to [name deleted] in gen terms possibility misuse letters and say our confidence is not as great as . . . and Ragashar's apparently is as to ability DL and Tib auths to have unrestrained action for very long if Chi Commie entry into country is allowed continue at present pace. In ur discretion recount very considerable nr of communications passed and offers of assistance and support already made by this Govt and Amers. Shld be noted that offer of Amers assist DL and entourage in asylum calls first for indication desire and intent DL to leave and that any move this regard wld thus be for Tibetans to initiate.

WEBB

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[1] Not printed.

**793B.00/8-1651 : Telegram**

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, August 16, 1951—1 p. m.

121. ReDeptel 333, August 9 to New Delhi.[1] We learned . . . Aug 14 that [name deleted] . . . was about to leave for Lhasa. As he offered take msg to Dalai Lama it was decided after consulting Emb give him msg contained Deptel 295 Aug 4 as amended Embtel 507 Aug 6.[2]

Yesterday Linn and I handed [name deleted] unsigned msg on blank paper with no watermark, containing no ref US. Msg with translation were sealed in blank envelope which [name deleted] promised hand Dalai Lama personally. He expects reach Lhasa in about twenty days.

[Name deleted] gave us lengthy account experiences in Chi of Tibet del . . . . This account, being transmitted by desp, fully bears out statements he made Taktser (Contel 13 July 3) and info recd from Shakabpa (Condesp 8 July 9)[3] as to Tibs having been forced sign agreement.

[Name deleted] also confirmed info previously recd (Contels 114 and 117, Aug 13[4] and Embtel 613 Aug 14 to Dept) that Tib Govt intends negotiate in Lhasa with Chi del and that there are "great hopes" Dalai Lama may still come to India and denounce agreement, also that no word has been received from GOI re asylum.

Sent Dept 121; rptd info Delhi 114.

WILSON

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[1] See footnote 2, p. 1777.

[2] See footnote 1, p. 1776.

[3] Despatch 8 from Calcutta, not printed, reported Shakabpa's account of what he had learned from the Tibetan Delegates about their experiences in Peking (793B.00/7-951).

[4] Telegram 117 from Calcutta, not printed, conveyed a report that the Tibetan Government planned to negotiate in Lhasa with the Chinese Delegation, that the Dalai Lama might leave, if the Chinese insisted on bringing more troops to Tibet, and that no word had been received from the Indian Government concerning asylum for the Dalai Lama (793B.00/8-1351).

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**293.0011/8-1051 : Telegram**

*The Acting Secretary of State to the Embassy in the United Kingdom*

SECRET WASHINGTON, August 17, 1951—7 p. m.

1018. Re urtel 814 Aug 10, Dept had hoped joint representations wld be made, as deliberate united action thought much more likely be productive than staggered representations of single countries. Since latter approach evidently considered tactically desirable by

Brit and others, it becomes necessary this Govt exploit all possibilities individual approaches. Dept must have as much concrete evidence as possible that steps in behalf Amers in particular being taken. This means Dept must not only be generally satisfied definite efforts being made by representing powers, but that it also have evidence to which it can point when interested parties, who have legitimate reason for deep anxiety, inquire re action being taken. This applies to evidence that any principal power has declined assist.

Swiss apparently not mentioning Amers. Roschin apparently did not do so and Dept unaware whether Panikkar did. We believe representation shld mention situation Amers (without necessity naming individual cases) in listing various nationalities affected by Commie measures. Ascertain whether Brit will request Swiss include Amers in Swiss approach.

Re A. 1. (*a*). Reftel, Dept desires more definite info re time and purport Panikkar *aide-mémoire*. In view latter's temperament, this info may not be obtainable; if not, Dept wishes approach MEA New Delhi directly for definitive Indian attitude toward assistance. Actual move made by Roschin not at all clear and thus wld not appear meet our purposes which need be served by direct approach.

WEBB

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**603.4193/8–2251 : Telegram**

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

SECRET LONDON, August 22, 1951—5 p. m.

988. Deptel 1018, Aug 17, rptd New Delhi 397. Dept's need for definite evidence that all possible channels being utilized assist Amers in China brought to attention FonOff, which indicated sympathy and understanding Dept's position and furnished fol relevant info:

(1) FonOff Aug 11 asked UK HC, New Delhi, obtain from MEA what info he cld re Panikkar's approaches to Chi re for nationals. Reply not recd. It believed Lamb will report from Peiping any info recd from Panikkar re matter, but apparently he finds it difficult extract info from Pannikkar.

(2) Lamb reported Aug 20 that Swiss approached Chi re foreign nationals Aug 14. *Aide-mémoire* dealing solely with situation Swiss business community was delivered, and Swiss Min separately saw director West European Dept Ministry Fon Affairs re Spanish, Fr and Ital nationals under arrest or otherwise in difficulty. He requested these be permitted leave Chi. Lamb also confidentially informed by Swiss Min that he mentioned position and treatment of foreigners in general

and told Chi their actions in this respect cld not fail have detrimental effect on sympathy abroad toward Chi people. It appears Swiss Min possible exceeded instructions in bringing up case of foreigners in general, and is apprehensive of results.

(3) Swedish Amb has requested Belg rep Peiping furnish particulars regarding Belg nationals detained in Chi. Lamb regards this as hopeful sign Swedish Amb now considering representations, contrary his previous decision.

Emb suggesting to FonOff Lamb might attempt persuade Swedish Amb mention situation Americans in event he makes separate representations.

HOLMES

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**603.4193/8–2351 : Telegram**

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

CONFIDENTIAL LONDON, August 23, 1951—6 p. m.

1007. Embtel 988, August 22. FonOff doubts if Lamb most efficient channel for obtaining cooperation other nations in specifically bringing plight Americans to attention Chi, since Peiping reps probably wld seek approval their govts before agreeing. FonOff circulating text note and memo to Chi among Scandinavian, Netherlands and Belgian Govts, with suggestion they make similar protest to Chi. It suggests US also request these govts cooperate by making representation on behalf Americans, and offers instruct Brit missions collaborate with US colleagues in such nations as Dept desires approach.

Request Dept reaction this proposal.

HOLMES

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**894A.00–R/8–2851**

*Memorandum of Conversation, by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*

CONFIDENTIAL [WASHINGTON,] August 28, 1951.

Subject: Aid Programs for Formosa

Participants: Minister Tan—Chinese Embassy
General Yu Ta-wei, Chinese Embassy [1]
FE—Mr. Merchant

General Yu, who has just returned from Formosa to take charge at the Chinese Embassy of all American aid matters, called on me today at his request. After the usual exchange of greetings and the amenities, I told the General that I was delighted that he had accepted this position and that I wanted to assure him the complete cooperation of the Department and this Bureau in assisting him in any feasible way. I went on to say that I wished to talk frankly to him as an old friend on the general subject of our aid. I said that he was no doubt familiar with the *aide-mémoire* which our Chargé had delivered to the Gimo on the subject of effective supervision. General Yu said that he was completely familiar with this and also with the Chinese reply. I said that the latter we accepted as an expression of the desire of the National Government to cooperate fully with our Embassy, our MAAG and the ECA Mission. I said that the general order of our combined programs requested for fiscal 1952 was in the neighborhood of $300 million, that this on a per capita basis was the equivalent of between $12 and $15 billion for the mainland and must be by far the largest program of aid on a per capita basis to any country in the world. I said that we were totally serious in our intent to see that every penny was properly and effectively used and that we looked to his Government for complete and full cooperation in this regard. I told him that his Government had many sincere friends in Congress and our Government but it also had many individuals who were aware that our aid in the past had not always been effectively used and that we had a duty to our taxpayers who were assuming so heavy a burden for the entire free world to see that our contributions were not misused. General Yu expressed himself as being in complete agreement and said that he would use all his influence with his Government to assure effective cooperation between us on Formosa.

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[1] Special Assistant to the Ambassador.

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**602.4193/8–2351 : Telegram**

## *The Secretary of State to the Embassy in the United Kingdom*

CONFIDENTIAL WASHINGTON, August 28, 1951—8 p. m.

1203. Ur 1007 Aug 23. Dept expects send msg (text in fol tel)[1] re situation Amers in China to FonMins fol powers: Swed, Nor, Den, Neth, Switz, Indo, Burm, India, Pak and USSR. Msg will go concurrently with or soon after Brit note and memo, without ref to Brit action. However, FonOff may wish to inform particular Govts it understands we are making separate approach.

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[1] Telegram 1204 to London, August 28, was identical, except for the last paragraph, to circular telegram 220, September 4, p. 1797.

Dept appreciates and accepts offer FonOff instr Brit missions collaborate with US colleagues in various capitals.

If FonOff has comment on our proposed msg pls inform soonest.

ACHESON

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793B.00/9–151 : Telegram

*The Ambassador in India (Henderson) to the Secretary of State*

TOP SECRET NEW DELHI, September 1, 1951—8 p. m.

802. According to present reports Dalai Lama has reached Lhasa. It also seems likely Tib officials will shortly engage in further talks with Commie-Chi officials on subj Sino-Tib agreement. While many Tib officials, incl particularly Dalai Lama, may be opposed extension Commie-Chi control in Tib, Emb inclined believe they will continue temporize in their dealings with Commie-Chi in hope developments in Korea will make it difficult for Commie-Chi implement such provisions Sino-Tib agreement as stationing Commie-Chi troops in Tib.

Under such circumstances Emb recommends USG shld take such positive action as it can re Tib which wld convince Tib of continuing US support. Such positive action might incl continued purchase by US firms of Tib wool (Embdesp 2891 May 24; Emb desp 462 Aug 27 footnote Nr 12)[1] as well as authority transfer funds (Deptel 469, Aug 29)[2] so long as such transactions were not detrimental to US and were not beneficial to Commie-Chi. Strict watch over such transactions wld most certainly be necessary.

If such transactions are stopped, Tibs who do not understand Western ways and have few dealings with Western peoples will be certain interpret such actions as evidence US no longer interested Tib and perhaps even hostile to it.

Emb wld accordingly suggest consideration by Dept of arrangements under which Tib wool might continue go forward to US and Tib financial transfers cld be made.

Sent Dept 802, rptd info Calcutta 99.

HENDERSON

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[1] Footnote 12 to the reference despatch, not printed, pointed out that Tibetan officials attached great importance to the export of Tibetan wool and suggested that the Department might wish to consider, if U.S. laws permitted, the preclusive purchase of Tibetan wool (793B.00/8–2751).

[2] Telegram 469 to New Delhi, not printed, concerned a freeze which the Treasury Department had placed on Pangdatshang's account in the United States (793B.00/8–2251).

603.4193/9-451 : Telegram

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

CONFIDENTIAL LONDON, September 4, 1951—noon.

1195. Embtel 1177, Aug 31.[1] Lamb made reps re fon natls Sept 1. Emb will furnish fuller report when recd from FonOff.

On Dept's proposed approach various govts re plight Amer natls in China, Lamb commented to FonOff Sept 1 as fols:

1. He not hopeful Chi can be induced change policy toward foreigners, particularly if US, Brit or Catholic, but thinks Brit shld welcome reps re treatment fon natls by other nations as being in gen interest and supporting Brit *démarche*. Brit in principle desirable support US approach as requested.

2. However, he fears govts concerned perhaps unwilling make reps solely on behalf US, partly to avoid embarrassing selves with Chi Govt, and partly because such reps least likely be successful. In view present deliberate anti-Amer policy Chi Fon reps in Peiping, he thinks wld prefer reps they make not directly relating to own natl interests to be on gen humanitarian and equitable grounds.

3. Indian and Swiss reps have adopted this line in practice, and altho they possibly will follow up own previous reps Lamb feels neither they nor their govts wish make reps on behalf of US. He, therefore, agrees with FonOff Brit shld not support US approach to them, or to Moscow. As for other countries, favorable response from Asian or minor European nations not hopeful. However, there is no great harm and possibly some advantage in supporting US approach to them, but Brit shld stress fact such reps to Chi are in effect in interests all fon natls.

4. Lamb has no objection publicity to US approach, without ref Brit role, and finds no fault with text proposed US note, except for US term "Chi Commie authorities", instead of "Central People's Govt".

5. Possible but less satisfactory alternative to suggested approach might be broadcast msg to Chi Commies in English and Chinese in terms US note similar to method used by Chi in sending official statements to US.

FonOff telegraphing Brit reps countries named Deptel 1203, Aug 28, with exceptions India, Switzerland and USSR, giving background and suggesting they concert with US reps re approach govts to which they accredited. Emb expects Brit reps will be instructed in supporting US approaches to place stress as indicated last sentence para 3 above.

GIFFORD

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[1] The reference telegram stated that Lamb was scheduled to make representations concerning foreign nationals in China that day (603.4193/8-3151).

**603.4193/8–3051 : Telegram**

## *The Acting Secretary of State to the Embassy in the United Kingdom*

CONFIDENTIAL PRIORITY WASHINGTON, September 4, 1951—4 p. m.

1319. Re ur 1143 Aug 30, 2d para,[1] regardless of prospects of assistance by GOI, USSR, and Switz, Dept considers that all possibilities dipl action through individual approaches must be exploited now. Since orig concept concerted approach in Peiping has not been found feasible, request for individual representation sent only to UK and few north European countries (whose dipl standing Peiping uncertain) wld appear to represent merely a ltd advance beyond previous Brit approach. Dept therefore is today sending contemplated msg to countries mentioned in Deptel 1203 Aug 28.

Express to FonOff Dept's deep appreciation its and Lamb's counsel and assistance and say we wld understand Brit reluctance to actively support our move in certain capitals, as mentioned last para ur 1195 Sep 4.

WEBB

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[1] The reference telegram, not printed, reported that the Foreign Office considered it useless to approach the Swiss and the Indians, since they had already made representations in Peking, and that the Foreign Office doubted the wisdom of pressing for Soviet help (603.4193/8–3051).

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**293.1111/9–451 : Circular telegram**

## *The Acting Secretary of State to Certain Diplomatic Offices*[1]

CONFIDENTIAL WASHINGTON, September 4, 1951—4 p. m.

220. Pls hand fol msg to FonMin:

"US Govt has been viewing with increasing concern the harsh and unjustified treatment of Amer natls by the Chi Commie auths. There are at this time more than 20 Amer cits imprisoned in China, the majority of whom have been under arrest for 6 months or more. One has died in prison and several are believed to be in great physical or econ distress. There are approx 30 Amer natls under what is known as 'house arrest'. A nr of others have for a varying period of 2 years or more been consistently refused permission to leave China, a condition which is tantamount to forced detention. Of the persons under arrest, at least some are known to be allowed no communication with anyone outside their prison. In most cases the Chi Commie auths have given no explanation of the arrests or any info concerning the welfare or whereabouts of the persons arrested. Access has been denied to legal counsel and to officials representing Amer interests in Commie China. It is our understanding that there are a nr of natls of other powers who have undergone similar treatment at the hands of the Chi Commie auths.

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[1] The telegram was sent to the U.S. Embassies in Stockholm, Oslo, Copenhagen, The Hague, Djakarta, Rangoon, New Delhi, Karachi, and Moscow, and the Legation in Bern.

"US Govt has anxiously awaited signs that the arbitrary arrests of Amers wld cease and that those under detention wld be afforded the basic and well-recognized rights of reasonable opportunity for communication with relatives and friends, access to legal counsel, disclosure of charges against them, and of responsible adjudication of their cases. However, long-continued denial of these rights and absence of the prospect that they will soon be granted have obliged this Govt to seek some extraordinary means for their relief.

"It is upon the basis of the principles generally accepted in internatl relations of the treatment of persons in fon countries, as well as on the ground of common humanity, that the US Govt asks ur Govt to present on its behalf the foregoing facts to the central Chi Commie auths at Peiping, with the request that they provide info concerning these imprisoned Amers and take such steps as may be necessary to afford just and expeditious action on their cases."

You may inform FonMin that this msg also being sent to FonMins of Great Britain, Swed, Nor, Den, Neth, Switz, Indo, Burm, India, Pak, and USSR.

You may also state that, in view of increasing demand in this country for evidence that urgent action being taken, it may be found necessary later give publicity to present move.

Brit FonOff has offered and Dept has accepted collaboration by Brit mission with Amer colleagues in various capitals, except New Delhi, Bern and possibly Moscow. FYI Brit at Peiping presented own note to Commie auths on behalf fon natls on Sept 1.

WEBB

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**293.1111/9–651 : Telegram**

*The Ambassador in the Soviet Union (Kirk) to the Secretary of State*

CONFIDENTIAL PRIORITY Moscow, September 6, 1951—4 p. m.

397. I saw Vishinsky today at 1:30 p. m. (he had moved appointment up from 3 p. m.) (Embtel 394 Sept 5)[1] and delivered message contained Depcirtel 220 Sept 4. Before doing so I read message to him and orally informed him of contents of second and third to last paras of reftel.

Vishinsky remarked that message had not been sent to most important addressee, Commie Chi. I replied that we had no dipl relations with them, as he knew. He made interesting remark that it was not necessary have dipl relations in order exchange direct message from one govt to another. Continuing, he said this was a matter concerning internal affairs in Chi and, of course, Sov Govt cld not intervene. I said that many factors were involved in establishment dipl relations and that among other reasons US had been unable extend recognition Commie Chi because of its failure fulfill internatl obligations. Vishinsky stated he held another view. He considered that laws for treatment of offenders were domestic concern of each country and expressed belief that those under arrest in Chi were being given justice and said that their Amer nationality did not warrant their going unpunished. I reiterated that treatment of this kind accorded Amer natls was one of reasons why US cld not establish dipl relations with Commie Chi. He said that he did not presume to recommend recognition or interfere into a matter of concern only to two govts involved but he said he did not believe that our contention about this treatment was the reason for not recognizing Commie Chi but only that the US Govt preferred not to recognize the lawful govt that truly represented the 500 million population of Chi, but rather to recognize Chiang Kai-Shek whose regime had been driven out by the Chi people. He said that if it were not for the presence of the Amer 7th Fleet, that regime wld be disposed of within an hour. He said, however, that he did not wish to continue this discussion. Our message wld be read and considered and an answer given to it.

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[1] Not printed.

I said that the US position on these matters was well known thru statements of the Pres and Secy Acheson (whereupon he interjected the remark, in Russian, "only too well"), and that I had nothing more to add. Then I asked if I were to consider he had given me a definitive reply that his govt did not intend to act in this matter, or whether I shld hear again from him. He said his own views had already been expressed but that, as usual, his govt's views did not depend on him.

Pass London, Paris. Sent Dept 397, rptd info London 59, Paris 112.

KIRK

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**693.93B/9–651**

*Memorandum by the Deputy Director of the Office of Chinese Affairs (Perkins) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*[1]

SECRET [WASHINGTON,] September 6, 1951.

Subject: US Position versus Sino-Tibetan Agreement.

CA proposed certain broad generalizations which may bear upon future policy decisions. Briefly, the following observations are suggested for consideration; comments from recipient Offices will be appreciated.

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[1] The memorandum was also directed to David W. Wainhouse, Director of the Office of United Nations Political and Security Affairs, Donald D. Kennedy, Acting Director of the Office of South Asian Affairs, G. Hayden Raynor, Director of the Office of British Commonwealth and Northern European Affairs, Conrad E. Snow, Assistant Legal Adviser for Far Eastern Affairs, and Kenneth Krentz of the Policy Planning Staff. A notation in Merchant's handwriting on the source text read as follows: "I concur in the memo and its recommendation. LTM". Merchant had marked the recommendation in numbered paragraph 5 (2).

1. Available reports do not indicate that the Tibetan Delegation which traveled to Peiping had sufficient authority to sign on behalf of, and to bind legally, the authorities of Tibet. The best available information indicates that decisions of high policy customarily are considered and ratified by the Tibetan Kashag and later are formally approved by the Dalai Lama.

2. Repudiation by Tibet is desirable but is unlikely.

3. Any US Government statement referring to Tibet's autonomy should be based upon the *de facto* autonomy apparent in Tibet's history rather than on any US position vis-à-vis the Simla Convention.[2]

4. Several political alternatives are available to the US. These are: (*a*) If Tibet repudiates its agreement with China, the US Government could issue promptly a statement sympathizing with and supporting the Government of Tibet. (*b*) If Tibet either does not repudiate or affirms the agreement through obvious Chinese pressure, there are the following possibilities:

(1) The US can issue a unilateral statement setting forth the decision of the US not to take cognizance of the Sino-Tibetan Agreement.

(2) Jointly with the UK, the US can issue a statement similar to that proposed in (1) above.

(3) The US can bring the Tibetan problem formally to the attention of the UN.

(4) The US can refrain from any public action but indirectly can attempt diplomatically to encourage either the Government of India or the UK to protest either to the Tibetan authorities or to the Peiping regime that implementation of the Sino-Tibetan Agreement appears to contravene the trade provisions of the Simla Convention (which accords most-favored-nation treatment to British and, by succession, to Indian commerce in trade with Tibet).

5. The most probable development seems to be involuntary Tibetan acquiescence in the Agreement. In anticipation of that development, the following actions are proposed:

(1) A copy of the US legal opinion[3] should be forwarded to Embassy Delhi to serve as the basis for informal Embassy discussions with the UK High Commissioner and the Government of India.

(2) The US should await developments with a view to issuing a unilateral statement approximately two or three months hence, setting

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[2] The text of the Simla Convention of July 3, 1914, between Great Britain and Tibet, may be found in *The Question of Tibet and the Rule of Law* (Geneva: International Commission of Jurists, 1959), pp. 124–127. Although a Chinese Representative had taken part in the Simla Conference of 1913–1914 which drafted the convention, the Chinese never signed or ratified it; it was, however, accepted as binding by the British and Tibetan Governments.

[3] Memorandum from K.B. Fite to Perkins, August 8, not printed (693.93B/7–1251).

forth the decision of the US Government not to take cognizance of the Sino-Tibetan Agreement because duress apparently was imposed upon the Tibetan negotiators in China and because Tibet, through aggressive military action of the Chinese Communist regime, lost its freedom to accept or reject.

(3) Diplomatically, the US should endeavor to use Tibet as a weapon for alerting GOI to the danger of attempting to appease any Communist Government and, specifically, for maneuvering GOI into a position where it will voluntarily adopt a policy of firmly resisting Chinese Communist pressure in south and east Asia.

The present danger is that the Chinese Communists will consolidate their position inside Tibet without receiving any public condemnation from any non-Communist country. If Tibet's *de facto* autonomy is lost, the US should not let this Communist success be classified as a victory through diplomatic default.

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**293.1111/9–751 : Telegram**

### *The Ambassador in Sweden (Butterworth) to the Secretary of State*

CONFIDENTIAL STOCKHOLM, September 7, 1951—6 p. m.

313. As instructed, I saw FonMin today and handed him personally note embodying the msg contained in Depts circ 220 of Sept 5 [4]. He was aware of the difficulties which the Brit were facing, and having this problem in mind some days ago, had given Swed Amb in Peking discretionary auth to take up matter with Chi Commie auths at such time and in such way as he thought best. Unden [1] said that the Peking auths had resented Swed acting as a msg carrier for UN during past Assembly session; that Swed had one national, technically a Swed citizen, who had been employed as an Amer journalist and was now in jail on espionage charges. This case wld furnish the Swed Amb an opportunity to approach the Peking auths in a matter in which Swed had a direct interest and generalize from that point of departure into representations re accepted internatl behavior.[2]

Incidentally, FonMin indicated Swed had cleared away existing cases of Swed missionaries desiring to leave China by refusing Chinese Commies transit visas from Copenhagen. Chi Amb here then in effect undertook to procure exit permits, providing the two actions were not formally linked. Swed accordingly gave transit visas and then Chi exit visas were also forthcoming.

BUTTERWORTH

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[1] Östen Unden, Swedish Foreign Minister.

[2] Telegram 451 from Stockholm, October 5, 1951, not printed, reported that the Swedish Ambassador had used an opportunity on September 7, before he received information about Unden's conversation with Butterworth, to urge the Chinese Vice Foreign Minister to have better treatment given to European and American nationals (293.1111/10–551).

### *Editorial Note*

On September 8, 1951, the Treaty of Peace with Japan was signed at San Francisco by representatives of the United States, 47 other Allied Powers, and Japan. Neither the Republic of China nor the People's Republic of China was a participant. Chapter II, Article 2 (*b*) of the treaty provided that Japan renounce "all right, title and claim to Formosa and the Pescadores" without specifying any recipient of that territory. For the text of the treaty, see 3 UST (pt. 3), 3169–3328; for related documentation, see volume VI, Part 1, pages 777 ff.

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793B.00/9–151 : Telegram

### *The Secretary of State to the Embassy in India*

TOP SECRET WASHINGTON, September 10, 1951—6 p. m.

566. Embtel 802 Sept 1. Dept sympathizes ur concern US jeopardizing Tibetan confidence US Govt thru bank deposit, trade controls. However as indicated Deptel 469 Aug 29[1] Treas action, although forced by uncertainty extent Chi Commie *de facto* control Tibet, has effect protecting Tibetan assets. Treas agreement (1) not issue now gen public freeze order all Tibetan accts and (2) willingness consider on ad hoc basis Tibetan applications transfer funds is most liberal working arrangement possible now.

Exports Tibetan wool to US still permissible under Treas procedure requiring importer and exporter declare no reason believe wool from Commie controlled area. Specific cases possible export deals reported by you will receive sympathetic consideration.

ACHESON

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[1] See footnote 2, p. 1795.

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293.1111/9–751 : Telegram

### *The Secretary of State to the Legation in Switzerland*

CONFIDENTIAL WASHINGTON, September 10, 1951—7 p.m.
PRIORITY

338. You may reply to question raised urtel 352 Sep 7[1] as fol:

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[1] The reference telegram reported that the Minister in Switzerland, Richard C. Patterson, had that day presented the Department's message to the Swiss Foreign Minister, Max Petitpierre, who said the Swiss Government would be prepared to take action on humanitarian grounds but would need time to consider the best method of presenting the matter; Petitpierre requested information as to whether there were any Chinese Communists in the United States who were unable to return to China and might be exchanged for U.S. nationals and also for a list of the U.S. nationals concerned and their whereabouts (293.1111/9–751).

A. Dept knows of no Chi Commies in US unable return China. However, state that Dept wld consider any attempt barter most unacceptable as this wld give rise to counter-hostage system which wld play into hands Chi Commies who place low value on human element in situation. We are particularly desirous this point not be raised in Peiping.

B. Immed fol tel[2] lists names, whereabouts imprisoned and detained Amers. Great majority are missionaries. List is substantially same as names previously submitted to Commie auths Peiping by Brit Chargé.

Dept of course cognizant of difficulties dealing with Chi Commies, but will probably be difficult for long to withhold info concerning action taken, in view fairly wide knowledge of msg and forthcoming representations by powers in Peiping.

ACHESON

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[2] Not printed.

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## *Editorial Note*

Between September 10 and 14, Secretary Acheson held meetings in Washington with the British and French Foreign Ministers; for full documentation on these meetings, see volume III, Part 1, pages 1163 ff. For the minutes of a meeting on September 11 between Secretary Acheson and British Foreign Minister Morrison, at which there was some discussion of policy with regard to China, see page 893.

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**793B.00/9–1251 : Telegram**

### *The Ambassador in India (Henderson) to the Secretary of State*

TOP SECRET PRIORITY NEW DELHI, September 12, 1951—4 p. m.

939. Emb believes Harrer suggestion (Calcutta 154, Sept 10 to Dept, rptd New Delhi 143)[1] that letters setting out US assurances to

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[1] Telegram 154 from Calcutta stated that Heinrich Harrer had requested the Consulate General to send a representative to Kalimpong to talk to a Tibetan official. The telegram read in part as follows:

"Harrer stated [name deleted] anxious despite personal peril return Lhasa to persuade Tib Govt Dalai Lama shld leave Tibet. In presenting arguments to Kashag and important lay officials [name deleted] believes he must be able swear he has seen signed sealed ltr of US Govt promising aid. Harrer suggests we prepare such ltr which wld only be shown [name deleted] by US rep, but which wld not be delivered [name deleted].

"Harrer presents fol reasoning support this plan: DL still most anxious leave Tibet, but lacks sufficient support among lay officials to overcome continuing opposition from monks. Among lay officials who neutral or passively opposing departure probably many who wld leave providing they assured support forthcoming for DL entourage. Many important Tib officials may still not know of

Footnote continued on following page.

Dalai Lama shld be prepared and shown [name deleted] by US rep but not actually delivered to him is open to much less serious objection than earlier proposal that such letter actually be sent to DL (ref Deptel 81, Aug 15 to Calcutta, rptd Delhi 380 and Embtel 613, Aug 14 to Dept, rptd Calcutta 83). Emb accordingly hopes Dept may approve suggestion and indicate in outline its views re contents, particularly if Dept has in any way modified views re extent support DL entourage.

Emb believes encouragement may be taken from [name deleted]–Harrer initiative that some spirit resistance still remains Tib or that Tibs are recovering from shock Chi invasion. In any event wld seem advisable keep alive evidence US interest and readiness support for Tib when opportunity such as this presented.

Wilkins received Harrer msg[2] shortly before departure annual leave, but apparently understood it have meaning quite different than intended. He returns Delhi Sept 23.

Emb has discussed reftel with Gibson since Linn had already departed. Gibson informed Emb tentative views re handling proposed letter if Dept shld approve.

Sent Department 939, repeated information Calcutta 101.

[Henderson]

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Footnote continued from preceding page.

previous US unsigned ltrs and aid offers. [Name deleted] . . . is hence in position considerable influence among Tib lay hierarchy. His oath as to existence US signed ltr promising support might be deciding factor necessary convince them support DL's departure since Tibs attach great importance such oaths. [Name deleted] now in Lhasa wld unquestionably support group favoring DL flight. Harrer states 'Chi armies now closing on Lhasa from both east and west,' but may be two months before arriving Lhasa." (793B.00/9-1051)

[2] The telegram cited above stated that Harrer had failed to receive an answer to a telegram he had sent to Wilkins from Kalimpong two weeks earlier, suggesting that the Consulate General send a representative to Kalimpong to discuss this matter.

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794A.5 MAP/9-1451 : Telegram

### *The Chargé in the Republic of China (Rankin) to the Secretary of State*

SECRET PRIORITY Taipei, September 14, 1951—4 p. m.

367. This is joint message to State, Defense, ECA from Rankin, Moyer, Chase. Ref Ecato 611 June 30 and Toeca 701 July 26.[1]

Part A.

1. Chi Govt making serious effort solve its financial difficulties, close

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[1] For text of the former, see p. 1724; the latter is not printed.

gap between revenues and expend and act on US memo of July 20[2] re effective controls over expenditures.

2. In attempt meet cash budget deficit period August thru December reported Toeca 701 Chi Govt anticipates reducing certain budgeted and other items of expend saving total perhaps NT $12 to 13 million monthly. Also negotiating sale govt owned textile plant and obtained loan US $2 million New York agency Bank of China.

3. This leaves substantial uncovered portion which Chi Govt now planning meet thru compulsory savings plan with goal NT $150 million. Present plan requires collection NT $30 million from Prov Importers and Exporters Assn, NT $60 million from other business enterprises, balance NT $60 million from public with distribution based on existing household tax. Propose set aside stocks in govt industries as security for loans on which repayment begins 1954, giving holder option take shares such stock in repayment at anytime. As now stands Chi Govt expects put plan into effect within one week.

4. Consequences savings plan feared are:

*a.* Serious popular dissatisfaction this measure which comes on top heavy taxation and other levies, especially groups readily imposed on, as farmers.
*b.* Decreased confidence in govt on grounds breaking earlier promise not force further levies this kind during 1951.
*c.* Serious econ drain on public affecting their will and ability build up essential agric, industrial production.
*d.* Criticism by Formosans of this levy for US which will receive partial blame its undesirable effects.

5. Therefore Emb, ECA and MAAG strongly recommend:

*a.* Immediate action by ECA outlined under part B in conjunction other Chi Govt measures as alternative to compulsory savings plan.
*b.* US efforts obtain Chi acceptance of control measures in line purposes July 20 memo as outlined under part C.

6. Our opinion time appropriate make approach on two problems together. When approaching Chi Govt on steps proposed part B wld exert every effort make it appear Chi Govt itself proposes withdrawal compulsory savings plan due potentially serious econ, social polit consequences and requests US consideration measures available to it. Believe psychologically good strategy US attempt accede this request and apply advantage against current efforts obtain satis agreement outlined part C.

Part B.

1. Besides bad effects proposed compulsory savings levy outlined part A, Emb, MAAG, ECA agree such alternatives as resumption

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[2] See telegram 42 to Taipei, July 13, p. 1750.

gold sales or substantial use printing press wld lose appreciable ground gained on econ stabilization front recent months and shld be avoided if at all possible.

2. Prolonged consideration here indicates most effective and desirable stop-gap measure available to ECA is estab in cooperation with Bank Taiwan of additional fund of not less than US $4 and not more than US $7 million of our ECA appropriation to enable increase fon exchange sales available private importers and to industrialists on Formosa to import prescribed categories commodities, indus equip. Our judgment adequate MR for sales such exchange exists.

3. Mission proposal contemplates ECA taking over financial average US $1 to 2 million monthly of essential import applications presently financed by Bank Taiwan from own resources. ECA-provide fon exch allocation wld be made avail to importers by sub-auth thru regular fon exch screening procedure in which ECA now represented. Such arrangements wld enable Bank Taiwan use own funds thus freed to finance additional import certificate sales, also under regular screening processes now in effect. Present bank policy on sale import certificates requires 100 percent NT dol payment fon exch purchases soon as application granted. Present fon exch sales Bank Taiwan average approx US $6 mil monthly. Proposed ECA action shld enable total sales to increase by approx US $1 to 2 mil monthly, with result prompt increase local currency availabilities which wld then be loaned by bank to govt. Plan wld use existing PA's to fullest extent possible but might require some new PA's covering essential imports to be worked out after consultation with Chi.

4. Counterpart deposits wld be required by ECA on usual basis incl present timing which means notification to deposit in special acct three months after notification of payment by ECA controller. *De facto* result wld be Chi Govt wld receive NT dols proceeds or fon exch sales for several months prior to counterpart deposit obligations.

5. Believe advantages far outweigh presumed impossibility exercise close control local sales prices goods imported this prog or manner of handling by importers since local currency advanced before receipt of goods and other factors make difficult fol goods as closely after arrivals as presently done most ECA items. Mission cld and wld check fully on actual receipt of goods for which fon exch allotted and watch for possible attempts re-export.

Part C.

1. US agencies now discussing with Chi Govt concrete arrangements for effective control expenditures rqstd in July 20 memo. We propose US work toward gen understandings as fol in paras 2 and 3.

2. Emb and ECA wld seek informal understandings estab basis for ESB auth control budget according Ecato 611 incl arrangements for participation by Amers as observers and advisers in providing guidance, using to maximum extent ESB, its subcomites and other machinery. ECA of course retains right make end-use checks. Understandings wld incl provisions covering ESB auth in budget planning; controlled handling any proposed deviations from budget plans, monthly govt reports to ESB of revenues and expenditures incl reports from Treas, Bank Taiwan, and govt enterprises; certain organizational changes related partic to Bank Taiwan and govt enterprises.

3. MAAG wld work out formal arrangements with MND for which Gimo's approval wld be obtained providing full MAAG participation in budget preparations and plan for expenditure of avail Chi and US resources for mil use, based on mutually agreed plan for defense island and requirements accomplish it. Budget, after joint approval by MAAG and MND, wld require review and recom by ESB.

4. Informal arrangements under C–2 wld depend upon successful conclusion formal arrangements under C–3.

Part D.

1. Urgently rqst auth act immed on recoms part B, and approval our attempts secure Chi Govt agreement control arrangements proposed part C. Due intent Chi Govt act within week on compulsory savings plan must have reply soonest on part B by telecon to ECA mission if feasible.

2. MAAG will submit separate cable requesting personnel required meet MAAG responsibilities budget making and accounting assumed under part C. Essential MAAG personnel requested separately by Gen Chase arrive quickly. Request State and ECA top level approach Def on this.

Sent Dept 367 rptd info Tokyo (PolAd pass SCAP) 45. [Rankin, Moyer, Chase.]

RANKIN

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**793B.00/9–1251 : Telegram**

*The Secretary of State to the Consulate General at Calcutta*

TOP SECRET PRIORITY WASHINGTON, September 14, 1951—8 p. m.

128. Contel 154 Sep 10 and Embtel 939 Sep 12.[1] Dept accepts Emb recommendation implement plan show [name deleted] letter signed by Amb provided letter never leaves possession US officials and provided [name deleted] sees letter in presence of US officials only.

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[1] For text of telegram 939 from New Delhi, see p. 1803; telegram 154 from Calcutta is quoted in part in footnote 1 thereto.

Suggest letter similar to document previously forwarded DL pursuant Deptel 91 Jul 12 (copy that document sent Dept as enclosure Condes 21 Jul 16), with exception that section letter concerning aid resistance groups be limited to general statement to effect that such material aid would be furnished as was feasible under existing political and physical conditions. . . .

Final approval text and implementation plan left discretion Amb.

ACHESON

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601.4193/9–2151 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

SECRET LONDON, September 21, 1951—7 p. m.

1478. Following is résumé series of tels from Peiping to FonOff on subject representations on behalf Americans in China:

Sept 18: Foreign diplomatic representatives not happy about representations re US nationals, regarding which they seem to have received divergent instructions from their govts. Panikkar, who genuinely anxious to help, considers joint or concerted *démarche*, particularly if directed solely on behalf US nationals, would defeat its own object and might prejudice representations which Swiss, Indian and Brit representatives have already made on a broader basis. Moreover such a *démarche* wld only embarrass representatives of Indonesia, Burma and smaller European nations. Present moment most inopportune for such a gesture, in view unfavorable reaction in Peiping to San Francisco conference and Kaesong talks.

Sept 18: Lamb believes above described reactions not unreasonable, but Indian, Swiss and Brit representatives all agreed some action should be taken. Indian and Swiss representatives consulting their govts. Swedish Amb has already discussed question informally with vice FonMin at a recent dinner party. Panikkar fearful lest ultimate US objective is use any joint representations as subject for political propaganda. He convinced injudicious publicity wld undermine value of representations already made and wld prejudice his own position. Swiss representative shares this view. Nevertheless they anxious to help and are considering joint approach to Raschin (who has just returned from Moscow) and say various members of diplomatic body instructed make representations on behalf US nationals. Raschin wld be urged act in a collective representative capacity as *doyen* of diplomatic body.

Sept 19: Indian and Swiss representatives approached Raschin on afternoon 18th stating they "felt it their duty bring facts to notice of CPG, not only in interests of foreign communities but of CPG reputation abroad, by explaining actions and conditions capable of creating misunderstandings". If several representatives individually made representations on same subject CPG might become resentful and it seemed infinitely better for one or two speak on behalf of majority, for which purpose Raschin as *doyen* was most logical person. Raschin expressed sympathy with above views and volunteered statement he faced similar difficulties in arrests Soviet nationals about whom his representations often remained unanswered for as long as three months. He deprecated delay re travel permits. Re practice holding individuals responsible for liabilities their employers, this unfortunately is in consonance with Chinese legal concepts. Raschin readily agreed speak to PriMin along suggested terms, adding he cld make approach within next day or so. Raschin seemed to have taken decision entirely on own initiative. No indication he was acting on instructions from Moscow as he did not react when Indian and Swiss representatives mentioned their understanding Soviet Govt had been approached by US. Raschin in complete accord with necessity avoid publicity. Lamb fears this view may be unwelcome to Dept but believes nothing shld be done to prejudice positions "these invaluable representatives" (i.e. Swiss, Indian and Soviet) or hazard effectiveness past or future intervention by them. He warns that even if representations are effective results will not begin to be visible for some time afterward. Dept, he feels, must not be impatient.

After careful scrutiny above tels, EmbOff discussed content at some length with Shattock, head China-Korea Dept. EmbOff expressed personal satisfaction protection US interests China in hands of such a capable and sympathetic official as Lamb. EmbOff added, however, Panikkar entirely wrong in believing Dept motivated by political considerations; on contrary, Dept solely concerned with welfare US nationals in China and desire convince friends and relatives in US everything that cld be done for them was in fact being done. EmbOff said he wld recommend that no publicity be given to representations on behalf US natls by members of diplomatic body in Peiping, or if this proved impracticable that names of members involved not be revealed. He said he wld also recommend that any publicity given be cleared in advance with London and Delhi or, better, that Lamb himself be given opportunity to comment. Shattock replied he appreciated and agreed with EmbOff's remarks and wld communicate them to Lamb.

HOLMES

603.4193/9–2551 : Telegram

*The Chargé in the United Kingdom (Holmes) to the Secretary of State*

SECRET LONDON, September 25, 1951—5 p. m.

1505. Embtel 1478, Sept 21. Following is résumé of further tels from Peiping to FonOff re foreign natls in China.

Sept 22: Panikkar in conversation with Lamb quotes Raschin as saying he proposes ask Chou's permission talk to chief security police in hope of inducing him accord to foreigners treatment consonant with western as opposed to Chinese standards (this seems to Lamb to be an imaginative and possibly constructive move). Raschin suggested that after he had spoken to Chou, Panakkar might likewise do so. Panikkar hopes carry out this suggestion before he returns to India early October. Panikkar also considering whether he might recommend to Nehru that he send suitably worded personal message to Chou through Chi Amb Delhi invoking Chou's sympathetic consideration plight foreigners in China. Lamb urged Panikkar carry out his move and said there seemed to be merit in the thought certain govts might communicate their concern through Chinese diplomatic missions abroad, instead of or in addition to making representations in Peiping, in view of notoriously evasive tactics of CPG FonOff. Lamb of opinion such a line of action wld offer greater likelihood of favorable result than any other so far considered.

Dutch rep sent CPG written communication on subject foreign natls on Sept 14 and Pakistan rep on Sept 20. Norwegian rep proposed discuss question orally week of 23. Danish rep does not intend take any action, no Danish interests being involved.

HOLMES

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## *Editorial Note*

For the text of a letter of September 26, 1951, from Secretary Acheson to Senator H. Alexander Smith of New Jersey, stating United States policy on the question of recognition of Communist China, Chinese representation in the United Nations, and the disposition of Formosa, and Senator Smith's letter of September 18, to which it replied, see United States Senate, Committee on Foreign Relations, Subcommittee on Nominations, 82d Congress, 1st Session, *Nomination of Philip C. Jessup: Hearings* (Washington: Government Printing Office, 1951), pages 648–650. The original exchange of correspondence is filed under 611.93/9–1851. Acheson's letter was delivered to Senator Smith on September 26 by Assistant Secretary Rusk, who took with him a number of documents concerning United States recognition policy in 1949 for the Senator to examine. Subsequently, at Senator Smith's request, the Far Eastern Subcommittee of the Senate Foreign Relations Committee met on September 28 in executive session with Deputy Assistant Secretary Merchant, who reviewed United States policy on the question of recognition and read a number of documents to the subcommittee. The meeting was recorded in a memorandum of conversation by Philander P. Claxton, September 28, 1951, not printed (790.00/10–951). The memorandum of a conversation of October 8, 1951, between Rusk and F. S. Tomlinson of the British Embassy, which touched on this subject, is included on page 1005.

The hearings cited above, held between September 27 and October 18, 1951, concerned the nomination of Ambassador at Large Philip C. Jessup to represent the United States as a member of the United States Delegation to the Sixth Session of the United Nations General Assembly. Much of the discussion was related to United States China policy, particularly United States policy in 1949 on the question of recognition and Jessup's role in formulating it.

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**603.4193/9–2151 : Telegram**

## *The Secretary of State to the Embassy in the United Kingdom*

SECRET PRIORITY WASHINGTON, September 26, 1951—6 p. m.

1685. Re Embtel 1478 Sep 21, rptd New Delhi 670, Moscow 198, Bern 385, Sep 22.

Dept of course not in position to stipulate precise method of approach by Missions concerned, however it feels obliged to ascertain whether powers approached are giving concrete assistance; some have already taken definite action. While representations might be joint, parallel, or delegated to one power, the important thing in our eyes is that the central Commie auths be clearly cognizant which powers are participants, that representations be so couched as to call for Commies to take a responsible position, and that representing power or powers report back action taken. Move by Roschin wld be acceptable if it is concrete and has rep character. However, a perfunctory dipl *démarche*, with no certainty of its character or of any response thereto, wld not meet needs critical situation Amer and other fon natls and this Govt wld still feel bound seek action which cld be pointed to as the strongest dipl effort it cld make. We remain cognizant of unique problem various powers have in maintaining relations with Commie regime. However, we do not believe that merely the fear of embarrassing or drawing anger from that regime shld deter fon powers from extracting from it internatl responsibility which it claims and which these powers have acknowledged by accepting relations with it.

This Govt has no intention use representations as subj for polit propaganda, more particularly as such use might tend defeat serious aim effecting release its natls. Any adverse polit effects which may result from situation wld be attributable to actions of Chi auths themselves and not to justifiable measures taken by protecting powers. Dept probably cannot avoid giving some publicity eventually to present operation; this wld be especially true if present measures fruitless, since relatives and associates these Amers must know that every effort has been made by this country on their behalf. Care wld be taken that publicity not be injudicious or such as to reflect upon actions of Missions participating.

London, New Delhi, Bern communicate above views orally to FonOff. Moscow use within its discretion as occasion offers.

Info in London's 1505 Sep 25 (being rptd addressees this msg) affords hopeful signs positive action.

Reptd info AmEmbassy New Delhi 693, AmEmbassy Moscow 213, AmLegation Bern 401.

ACHESON

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794A.5 MAP/9–2851: Telegram

*The Acting Secretary of State to the Embassy in the Republic of China*

SECRET WASHINGTON, September 28, 1951—4 p. m.

272. Fr State, Defense and ECA for Rankin, Moyer, Chase.

Urtels 367, Sept 14 and 422 Sept 27.[1]

1. Re part A. Agencies have noted Chi have deferred adoption compulsory savings plan on ur initiative as reported Toeca 942 Sept 22.[2]

2. Ur proposal in part B agreed in principle. However, separate ECA cable follows.[3]

3. Agencies agreed gen principles ur part C are consistent with policy outlined July 20 *aide-mémoire*. Tel to follow will request further discussion several points.

4. State and ECA as requested have discussed with Defense Dept MAAG budget personnel mentioned part D. Defense will reply separately this point.

Reptd to SCAP Tokyo, for USPolAd 502. [State, Defense and ECA.]

WEBB

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[1] For telegram 367, see p. 1804; telegram 422, not printed, requested that the agencies concerned should expedite their comments on telegram 367 (794A.5 MAP/9–2751).

[2] Not printed.

[3] Ecato 1036, October 8, 1951, not printed, approved the proposed plan, subject to certain procedural limitations (ECA Telegram File: FRC Acc. No. 53 A 278: Taipei Ecato).

794A.5 MAP/9-2851 : Telegram

### *The Acting Secretary of State to the Embassy in the Republic of China*

SECRET WASHINGTON, September 28, 1951—4 p. m.

273. Fr State, Defense and ECA for Rankin, Moyer, Chase.

Re Deptel 272. Request further info in what manner "informal understandings" wld be documented in order all Chi officials concerned, mil and civilian, wld be alerted and informed. Wld appreciate ur views as to action whereby Genissimo wld publicize new scheme for disbursement and budgetary control.

In addition if not already done desire you explore possibility reaching agreement with Chi that ECA mission, in exercising right to financial checks, wld have access to records in appropriate Chi auditing agency. Envisage mission might periodically examine records involving outlays above whatever magnitude you deem appropriate.

Rptd to SCAP Tokyo for USPolAd. [State, Defense and ECA.]

WEBB

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603.4193/9-2951 : Telegram

### *The Chargé in India (Steere) to the Secretary of State*

SECRET NEW DELHI, September 29, 1951—9 p. m.

1189. Deptel 1685 to London rptd Delhi 693, Moscow 213, Bern 41.[1] Dept's views communicated in detail to Bajpai late Sept 28. He obviously thought Dept instrs had resulted from my report his vague remarks on same subject contained Embtel 1134, Sept 26.[2] He reacted strongly and said that Dept shld be assured that GOI wld not refrain, through fear of Commie Chinese Govt from making representations on humanitarian matter, in which GOI thought CCG was bound to have regard for sentiment of outside world. He added that he wanted make clear that GOI did not look upon this question from political point of view nor had GOI ever for moment thought US interested political propaganda in this affair.

Bajpai concluded by saying he wld immediately send further instrs to Pannikar to take action—what action he did not say.

He said that Pannikar had thus far had only informal consultation with diplomatic colleagues Peiping and had not been party to any agreed procedure for representations to CCG. Pannikar wld not leave Peiping for India until Oct 12.

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[1] Dated September 26, p. 1811.

[2] In the reference telegram, not printed, Steere reported that he had learned from Bajpai that Panikkar had informed the Indian Government that he and his diplomatic colleagues thought a joint or separate *démarche* on behalf of U.S. nationals was inadvisable since representations had already been made concerning foreign nationals in general (293.1111/9-2651).

Steere

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Rankin Files: Lot 66 D 84

*The Chargé in the Republic of China (Rankin) to the Chief of the Military Assistance Advisory Group, Formosa (Chase)*

SECRET Taipei, September 30, 1951.

Dear General Chase: At my meeting with the Ministers of Foreign Affairs and Finance [1] last evening we discussed your communication of September 17 to General Chou [2] regarding military budgets and budgetary control. In general, the two ministers were in full agreement with your recommendations. However, they raised the following points:

1. The new plan involves at least one important change which is a matter of high policy: the proposed transfer of authority over budgetary matters from the Chief of Staff to the Minister of National Defense (your paragraph 4). The ministers personally favored such action. However, they remarked that the Minister of National Defense [3] himself preferred not to take a position in this matter, apparently to avoid creating the impression that he was seeking more power, and that a decision of a higher level than General Chou's was required in any case. They queried me as to what General Chou's reaction was to this proposal in his discussions with you. I replied that I did not know in detail but understood that he had raised no objection.
2. A somewhat less significant change but nevertheless one of considerable importance organizationally is the proposal to divide the military establishment into about five groups for budgetary and accounting purposes (your paragraph 3), according to the two ministers. Again, they are inclined to favor your recommendation. It was pointed out, however, that this might bring up several old issues such as the status of the Combined Service Forces, created several years ago on American recommendation to support all other branches but in practice today serving only the Army. They remarked that the Generalissimo had long favored more or less parallel treatment for the Air Force and Navy, but that opposition from these services had prevented its realization. The ministers indicated that similar opposition to a system of combined budgetary control might be expected. However, they advanced these points by way of explanation and not because of any objection to the new plan on their part.
3. The ministers commented on the use of the word "supervise" in your paragraph 13*a*. They remarked that the nearest Chinese equivalent is stronger than the English in meaning, and questioned

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[1] Yen Chia-kan.

[2] Not printed.

[3] Kuo Chi-chiao.

whether we intend to give direct administrative responsibility to American officers in the Chinese military establishment. I said that I thought not and that perhaps the expression "advise in" might be substituted for "supervise". I should appreciate having your opinion on this point.

4. The Finance Minister expressed the urgent hope that, whatever may be decided as to your recommendations, nothing should be permitted to delay actual work on the 1952 military budget.

I gathered that the two ministers were fundamentally very much in favor of your recommendations and are only concerned lest we should not be willing to push them enough to overcome possible opposition among the military. In this connection, I assured them that we felt strongly as to the principles involved, although we were ready to discuss details so as to facilitate the implementation of the recommendations in the simplest and most expeditious manner possible.

It is understood that General Chou will not reply in writing to your September 17 communication, in view of the considerations mentioned above. After reading the present letter and discussing the points raised with anyone who you think might have further ideas to contribute, I suggest that we get together to consider whether a more formal communication to the Chinese Government on the same subject may be in order.

Sincerely yours, K. L. RANKIN

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793B.00/10–151 : Telegram

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET CALCUTTA, October 1, 1951—11 a. m.

185. Last evening Linn and I showed [name deleted], who had just arrived from Kalimpong, ltr addressed to Dalai Lama and signed by Amb Henderson. Harrer who interpreted was only other person present. Instrs Deptel 128 September 14 as amended New Delhi's 1023 September 17 to Dept and Emb ltr same date[1] were strictly followed and after [name deleted] had studied ltr thoroughly and made notes in Tib ltr was replaced in our safe.

[Name deleted] said he was returning in next few days to Kalimpong and then would take about 14 days to reach Lhasa. On arrival Lhasa he will see Ngapho, Ragashar and 3 or 4 other high ranking officials including two PriMins, Nukhang (lay) and Lobsang Trashi (monk). He will also see Dalai Lama's brother Lobsang. [Name deleted] can not approach DL in first instance but is convinced that approach through foregoing officials will be effective and that they will be impressed by his swearing he has seen Amb's ltr. Later he may see DL. [Name deleted] will also attempt arouse support powerful Abbot and other influential elements.

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[1] Neither printed. Telegram 1023 from New Delhi stated that, unless the Department objected, Harrer would be used as an interpreter when the letter was shown to the Tibetan official (793B.00/9–1751). The Embassy's letter of September 17, from Henderson to Garrett H. Soulen, Consul at Calcutta, enclosed a signed letter addressed to the Dalai Lama and instructed the Consulate General to show it to the Tibetan official but to keep it in U.S. official hands at all times. Copies of both letters were enclosed with despatch 662 from New Delhi, September 18, 1951, not printed (793B.00/9–185). For text of telegram 128, see p. 1807.

[Name deleted] has just recd ltr from Lhasa reporting there are now 400 Chi troops in Lhasa. He thinks these are probably pro-Chi Tibs from east Tibet.

Although not a dynamic individual, [name deleted] impressed us as responsible and as fully aware of importance of mission which is obviously fraught with certain personal dangers for him.

Sent Dept 185, rptd info New Dehli 158.

WILSON

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793.00/10-351

### *Memorandum by the Officer in Charge of Chinese Economic Affairs (Barnett) to the Assistant Secretary of State for Far Eastern Affairs (Rusk)*[1]

TOP SECRET [WASHINGTON,] October 3, 1951.

Subject: Report on Formosa[2]

On October 1, I met with the Policy Planning Staff to discuss Formosa. My own remarks on this subject ran to some 45 minutes. There followed a question and answer period lasting about one and a half hours. I am setting down for you—without making an effort to achieve literary polish or to convert a speech into a scholarly treatise—a somewhat fattened version of the outline from which I talked.

The Japanese made Formosa a laboratory experiment in their form of colonialism. As such, it was highly successful and there exist exhaustive facts and figures to document every phase of the Japanese record. The Chinese were, during my stay in Formosa, completing a number of studies of the Japanese archives, trying to draw lessons from them and, unavoidably, experiencing some shame in the deterioration which has occurred in Formosa since 1945.

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[1] A note in Rusk's handwriting, attached to the source text, directed that copies should be sent to Matthews, Nitze, Krentz, and Brigadier General John Magruder of the Office of the Secretary of Defense and that the original should be sent to Under Secretary of State James E. Webb with a note that Rusk urged him to read it. Barnett sent the memorandum to Webb with a covering memorandum, which bears a handwritten note by William J. McWilliams, Director of the Executive Secretariat, that both he and Webb had read it with great interest (793.00/10-351).

[2] Barnett had been in Formosa in late August and early September on an information-gathering mission.

The Chinese are very short of exact facts and figures. This was brought to my attention, soon after my arrival, by the Formosa correspondent for the *Chicago Daily News* who asserted that the population of Formosa is ten million or more and that the Chinese (and ECA) working estimate of eight million is a political figure designed to help obfuscate the drain on Formosan resources brought about by the Mainland military and civilian refugee population. I got no support from any official source for that ten million figure; officials, however, differ widely amongst themselves in their guesses as to what the population of Formosa actually is. The inexactness of statistics on population is characteristic of the inexactness of statistics on almost all aspects of the economic, military, and social situation on Formosa.

It is with considerable reserve, therefore, that one accepts as fact what one reads and hears on Formosa. Nevertheless, I came away from Formosa with several convictions based upon what I heard about psychological and other imponderable factors at work on Formosa, as well as upon what I heard, read, or could observe first hand about objective factors:

First, if the United States Seventh Fleet mission in the Formosa Straits was terminated, the ECA aid program cut off, and the military training and equipment program of the MAAG stopped, Formosa would be in the hands of the Chinese Communists in possibly so short a time as six months. . . .

Second, the strategic benefits to the United States of the MAAG operation on Formosa is apt to be far more significant politically than militarily. In view of the magnitude and depth of political and military developments on the China mainland, it appears improbable that US military assistance to Formosa—almost regardless of its volume—will create a Chinese military establishment which, as a self-contained combat force, would be capable of either defending itself against an all-out Chinese Communist attack or of establishing a military bridgehead on the Mainland for secondary operations which would result in detaching important parts of China from the hegemony of Peking. Massive US tactical and logistical assistance should be assumed to be necessary for the accomplishment of either of these military objectives. In contrast to the limited expectations we should have for the military effort, per se, the MAAG operation can bring about very important political and economic results.

Third, I can see no long-term future for Formosa except as a part of China—a China, this means, of which Formosa could be a part without such a coalescence doing harm to US interest and objectives in Asia. This opinion is shared, I believe, by the Chinese officials on Formosa who hold the "optimistic" view that World War III will produce this result. In Hong Kong a different view prevails. It is that World War III would bring such a catastrophe to Asia as a whole that the Chinese in Hong Kong—who, detesting the Communists, refuse to return to the Mainland, and feel much the same about Formosa—would not much care what became of Formosa. Their hope is that a formula can be worked out for the achievement of an independent, stable, and secure Formosa which would accomodate itself to its neighbors in the Far East, including Communist China. When they are asked what they think would be Chiang Kai-shek's attitude towards Formosa were he in Peking and Mao Tse-tung installed in Taipei they admit that Chiang would insist upon the recovery of the Island for China. When pressed, therefore, they too find it difficult to envisage a Formosa dissociated permanently from the China mainland, whether it be under Communist or non-Communist control.

Fourth, I am convinced that it is clearly in the United States interest to keep Formosa out of Chinese Communist control partly for what that act of mercy means to the people on Formosa and partly for the value of its ports and air fields to any possible future US military effort in the Pacific, but, far more important, for what it can mean as a disturbing and psychologically undermining factor for Russian-dominated Communist Chinese authority on the Mainland. I believe, further, that we should plan to deny Formosa to Communist China *primarily* by projecting on a publicly announced and "permanent basis" the present mission of the Seventh Fleet and by including in our military plans for Okinawa and Japan the use of US forces there to cope with possible Communist attack on Formosa based upon the China mainland. As a short-term corollary for this longer-term commitment and plan, I believe that we should give to General Chase and the MAAG all the assistance that they are able to administer efficiently for 1952, *provided* Minister Rankin, General Chase, and Mr. Moyer are able to secure from Chiang Kai-shek a commitment that MAAG should exercise veto authority over the size and character of the budget for the military establishment on Formosa and should exercise a similar veto authority over all military expenditures, whether the resources drawn upon are of Chinese or United States origin. The State Department, the ECA, and the Defense Department should, in my opinion, give our representatives in Taipei the fullest support, whether it be diplomatic, by the acceleration of movement of hardware, by the provision of highly trained personnel for specific tasks, by the adequate staffing of MAAG field operations, or otherwise, to achieve basic reforms in the military sector of Formosan society. These reforms should be brought about on the working hypothesis that there should be final Chinese civilian responsibility and authority in the administration of good government and sound finances on Formosa. This does not now exist. It is a prerequisite for the accomplishment of our military, as well as all the other important objectives which we seek on Formosa.

It is only through the leverage of military assistance, however, that either the military or other economic and social reforms needed on Formosa can be accomplished. If achieved, they can set free for constructive effort the remarkably fertile and expert civilian talents which exist there and which have the potential for providing Formosa with better government than has existed in modern China.

. . . . . . .

This cannot happen so long as the Generalissimo preserves the Chinese military establishment as a personal garrison, supporting itself by whatever arbitrary devices it can get away with in exploiting the human and natural resources on Formosa. Minister Rankin, General Chase, and Mr. Moyer have requested and obtained from Washington authority to work out with the Generalissimo arrangements whereby the MAAG will exercise authority in preparing jointly with the Ministry of National Defense all military budgets and supervising all military expenditures, whether out of US aid or local resources. The Generalissimo has not as yet agreed to such arrangements. If he does, General Chase's hand will be strengthened greatly in dealing with the three key problems of the Combined Service Forces, the political commissar system, and the streamlining of the army itself.

The Combined Service Forces are an anachronism. The organization was established on the Mainland at the suggestion of General Lucas[3] and on the Mainland it may have had a useful function. On Formosa, it is a military-bureaucratic colossus which hoards China's present stockpiles of military supply. It is the home base for the uselessly subsidized military and semi-military supernumeraries. It directs military raids upon the agricultural and industrial economy. While the Chinese Air Force and Navy operate largely independent supply systems the Combined Service Forces hamstrings General Sun Li-jen's best efforts to obtain minimum requirements for the troops themselves. It is headed up by two General Huangs who are little more than instruments of the Generalissimo's personal whims and wishes as communicated to them by the Chief of Staff, General Chou Chih-jou. US military hardware cannot move into this morass of politics and privilege without running extreme risks of misuse, waste, and corruption.

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[3] See *United States Relations With China*, pp. 344–345.

The political commissar system, at present, is the creature of General Chiang Ching-kuo, the Generalissimo's son and Director of the Political Department of the Ministry of National Defense. Formosa does not have a unitary secret police system; it comprises the political commissars in the army, Chiang Ching-kuo agents other than the commissars, the Peace Preservation Corps of General Peng Meng-chi,[4] the agents of the Ministry of Interior, the Generalissimo's own bodyguards, etc., etc. . . .[5] Chiang Ching-kuo, as Chairman of the Kuomintang Reform Committee, has reduced the size of the Central Committee of the Party from 238 to 20 and through this sensitive point exercises considerable indirect and semi-police influence. General Chase has not set for himself the goal of reforming Formosa. However, the secret police, counter intelligence, informer, and commissar activities in the army constitute—according to both General Sun Li-jen and General Chase—an almost insuperable barrier to the achievement of good military discipline, high morale, and effective combat potential.

To streamline a military establishment requires, of course, some knowledge of its size and organization. One is impressed on Formosa by the lack of good statistical information on its actual size. I heard estimates ranging from 350,000 to 800,000. General Chase has set for himself the target of training and equipping 600,000—and no more. It should be mentioned, parenthetically, that Colonel Rector, Chief of the Air Section of MAAG, has been very well impressed by the success of the Chinese Air Force in preserving its organization, maintaining its records, and carrying out training operations. Its records are exact and complete. Its commissions are well earned. There are only 13 generals in the Air Force as a whole. He believes that the Air Force could achieve peak combat efficiency in six to seven weeks after the arrival of fighter aircraft and within eight weeks after the arrival of light bombers. The story of the army is very different. The MAAG has persuaded the Ministry of National Defense to reduce from 12 to 10 the number of Chinese armies and from 38 to 21 the number of Chinese divisions. This contraction of organization strength will result in the elimination of "paper" units and bring to full strength units actually to be carried on the books. This organizational reform is already taking place. The organizational reform, however, is, in General Chase's opinion, merely a prerequisite of a reform in military thinking. The Chinese Communist army fighting in Korea is an excellent infantry army. The Chinese forces on Formosa can deal with them only by learning to employ the tactics developed by the United Nations forces in Korea. In short, the Chinese must learn the meaning of the word "teamwork", must master a wide range of weapons besides the rifle, and must learn to use them together. General Chase estimates that after arrival of US hardware a training program of eight months will be needed to achieve the results he desires. The Chinese common soldier, as I was able to see him myself on Formosa, looked good. I have been seeing Chinese armies all my life and most recently in West China during World War II. The troops I saw on Formosa looked healthier, were better clothed, were furnished with more rifles, were quicker in their response to discipline, and generally more alert than any large number of Chinese troops I have ever seen before. I talked with General Sun's two attractive and intelligent young aides, and also to a number of Chinese officers, including five or six generals of no political consequence, but bearing important operational responsibilities. They struck me as being highly competent in their fields of responsibility. Although my impression is admittedly based on superficial evidence, I am convinced that General Chase has good human material with which to work. I am unable to evaluate the disturbing view expressed to me by Colonel Barrett and Major Jack Young, who has recently been in command of a combat unit in Korea, that perhaps General Chase's most serious problem is to create and preserve combat capabilities in an army which is growing older month by month, is not being replenished by new bodies from or retiring old ones into society, and which, without "blooding" might well become so overtrained as to be incapable of fighting.

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[4] Lieutenant General Peng Meng-chi, Deputy Commander, Taiwan Peace Preservation Headquarters.

[5] Ellipsis in the source text.

The military establishment, some characteristics and aspects of which I have just mentioned, is the principal impediment to the accomplishment on Formosa of constructive developments in the political and economic field. If General Chase can bring about the military reforms he desires, particularly in the fiscal and supply fields, there are on Formosa, in my opinion, resources which will make possible the achievement of good government and a healthly economy capable of meeting the welfare requirements of an especially talented population.

One needs to see it to be fully aware of the high quality of Formosan agriculture. The Formosan farmer population is more literate than any in Asia except possibly that in Japan. Under Japanese tutelage it has developed very advanced farming techniques. Farm production is highly diversified and includes two cash crops, rice and sugar, which figure prominently in earning Formosa's foreign exchange. Rice production now exceeds pre-liberation levels, although exports lag. The

Formosan farm population is by and large well off. Nowhere did I hear that Communism had made the slightest headway in the rural sector of the Island. The Formosan farmer and his farm associations, however, draw comparisons between Japanese and the present Chinese administration which are favorable to the Japanese. In retrospect, they feel that the one flaw in Japanese policy on Formosa as it affected them was that the Japanese regarded them as second class citizens; this the Chinese from the Mainland have avoided doing. However, the Chinese National Government's tax, credit, and pricing policies have, the Formosan farmers feel, been administered with such irregularity, stupidity, and harshness as to wipe out the benefits which they expected to realize from the land reform programs instituted under the JCRR two years and more ago. Taxes, levies, and "voluntary" contributions have been called for by local and provincial governments but also, and most exasperatingly, by agents of the police and the military. It is claimed that there are seven times as many Chinese police as the Japanese required for a more efficient operation.

I saw for myself, and more than that heard glowing accounts from others who had seen far more than I, the accomplishments of the Chinese in the industrial sphere. Since 1945, Formosa's cotton textile spindleage has risen from 10,000 to 80,000. Formosa's power production has risen from a Japanese peak of 152,000 kilowatt hours to 200,000. Production of nitrogenous fertilizers has risen from 11,000 to 76,000 tons. Similar indications of industrial recovery could be given for the cement industry, mining industries, and so on. I saw three efficient textile plants, a fertilizer plant, and the aluminum plant.

I talked with the plant managers and was able to obtain from them a picture of what they considered to be the factors obstructing expanded operation of existing plant capacity and enlargement of industrial plant. The best general review of these problems was given me by Mr. Y. C. Wang, General Manager of the Nanyang Cotton Textiles Company in Hong Kong who is concurrently operating a small textile mill in Taipei. These are the points he made: (1) Until recently the security of Formosa was an unknown factor and a deterrent to industrial development and activity. Chinese industrialists now regard Formosa as immeasurably more attractive from that standpoint. (2) Formosan labor is very talented but competitive bidding for labor force makes it excessively mobile and the attractiveness of Formosan farms and the fact of strong family ties with the farms cause migrations from industry to rural areas during harvest and planting seasons. (3) Formosa is short of certain important raw materials, such as raw cotton, but since the US export embargo applies with greater severity to Hong Kong than to Formosa it is felt that it is easier to import raw materials to Formosa than to many other areas, particularly with ECA available to assist in procurement. (4) Unlike Hong Kong, there are no commercial banks on Formosa which extend cheap credit even against mortgaged plant or raw materials. This means industrialists must go into the gray market and pay exorbitant rates of interest. (5) The Government's tax program is such that industrialists cannot know upon what, or how heavily, taxes will be levied from month to month. Industrialists are constantly threatened by what amounts to military confiscation. (6) Chinese who own capital conceal the fact and live in mortal terror that the police will hold them as hostages or seize the property. (7) The greatest impediment of all to industrial activity and development is the constant threat of currency inflation. From the standpoint of the industrialist it is immaterial at what level the Formosan dollar is stabilized, but without stability the industrialist cannot plan and operate.

Mr. Wang said—and this was confirmed by what I was able to learn in Hong Kong—that there is a large volume of Chinese capital in Hong Kong and Southeast Asia which would welcome opportunities to invest in Formosa if the difficulties here mentioned could in some way be reduced or eliminated. It is my impression—and this is an impression which may not be capable of demonstration—that with stabilization in the value of the currency, and this alone, the contributions of Chinese capital for development purposes, both from Formosa itself and from Hong Kong and Southeast Asia, might exceed within the next twelve to fifteen months by as much as three or four times the contributions which ECA could make.

The US Government is fortunate in having on Formosa, available for use by the Chinese official and private business community, the J. G. White Engineering Corporation. Mr. Val de Beausset has gained an enviable position of respect amongst able Chinese economists, engineers, and industrial operators. There is no shortage on Formosa of engineers, technicians, plant managers, and the potential for rapid industrial development on Formosa is very great. Mr. de Beausset believes that with a modest investment of US-financed industrial equipment Formosa has the capability of producing on Formosa items now being imported and producing exportable commodities in a volume which, within two to three years, would render the Island self-supporting—including the maintenance of the military establishment which would have been brought into being by US assistance at that time. This is admittedly an optimistic forecast. If progress is to be made in the direction Mr. de Beausset has been outlining for the Chinese there must first be basic reforms in the fiscal administration of the Island and the establishment of an atmosphere of political and economic self-confidence.

Responsible Chinese on Formosa can be divided crudely into those who are "hell bent for return to the Mainland, no matter how, and to hell with Formosa" and those who feel that "we have got to succeed on Formosa or there is not much point in going back to the Mainland". As one Chinese in the latter group said to me, "China's present purpose on Formosa should be to run a country which would make the Chinese on the Mainland say, 'I wish I were there'."

The Generalissimo and his entourage belong to, and in fact lead, the former group. I got an insight into some blank spots in their mental processes, I think, when, during a lunch with Madame Chiang Kai-shek, she stated without caveat or explanation that the Chinese National Government would be back in Peking next year. It was a simple statement of faith. I was interested, too, to have her say that she and the Generalissimo were making energetic efforts to persuade Mr. H. H. Kung[6] to return to Formosa, presumably to resume his responsibility as Minister of Finance. She spoke in the most glowing terms of his great genius in running the Ministry of Finance throughout the Japanese war. She seemed to have no feeling whatever of what impression would be produced upon Chinese and American opinion by an announcement of his return to Formosa as a high authority in the Chinese Government.

No Chinese with whom I talked, except those who without explanation expected that World War III would miraculously restore the Kuomintang to Peking, appeared to think that the reconquest of the China mainland can be accomplished by military pressure alone. Soon after my arrival in Formosa I tried to find evidence that the Chinese were attempting to work out an ideological appeal of some sort to the Chinese on the mainland, sick of and terrified by Communist police authority.

I brought this question up at a dinner which Dr. Chiang Mon-lin arranged for me with Mr. Hollington Tong,[7] and Mr. K. Y. Yin. Mr. Hollington Tong is the Chief of the Generalissimo's propaganda and publicity services. Mr. K. Y. Yin is the head of the Central Trust. In order to put my question in a historical context, I referred to the fact that there appeared to be in Chinese history since about 150 B. C. two theories of Government. One was the political theory of the Chinese legalists who perfected a doctrine for an authoritarian police state. The other was Confucianist theory upon which most Chinese dynasties based their political institutions—a theory of federalism under the general sovereign guidance of a benevolent emperor. I asked if they felt that the Chinese Communists belonged to this Chinese legalistic tradition or whether Chinese Communism was a completely foreign importation. All agreed that the Chinese Communist regime was allied to Russia, was dependent upon the USSR for support, and had borrowed a part of its vocabulary from Marxist-Leninist-Stalinist political writings. Notwithstanding this fact, however, Dr. Chiang Mon-lin regarded the Chinese Communist movement as essentially Chinese. Mr. Hollington Tong dissented and considers it foreign. Mr. Yin was asked to cast his vote and he associated himself with the view of Dr. Chiang.

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[6] H. H. Kung, former Chinese Minister of Finance, 1933–1944, was living in the United States.

[7] Managing director of the Broadcasting Corporation of China and a member of the Kuomintang Central Advisory Committee.

I see some significance in this conversation beyond that on the surface. It seems to me of the utmost importance to recognize that expression of such disagreements in opinion could not be found anywhere in Communist China, particularly where a foreigner was present. If there are characteristics of a police state on Formosa, those characteristics are certainly a mild version of what is found where the Communists have established themselves.

When I inquired what ideology, perhaps based upon the Chinese tradition, might serve as an alternative to Communist ideology, Mr. Hollington Tong immediately replied that it was the San Min Chu I (the Three People's Principles of Dr. Sun Yat-sen[8]—nationalism, people's livelihood, and the people's democracy). Dr. Chiang Mon-lin and Mr. Yin felt that the San Min Chu I had no dynamic appeal whatever to the Chinese people and something else—they knew not what—was called for.

I talked at a later time with Mr. Chu Chia-hua, an intimate friend of the Generalissimo and formerly a general secretary of the Kuomintang, on this subject. He said that the San Min Chu I was hopeless as an instrument of political or psychological appeal to the Chinese people. The Chinese are fed up with the Russians and they would understand the principle of nationalism. That, he said, however, was not enough. What to add to it, he did not know.

. . . prior to my departure from Taipei . . . . I raised again the question of usefulness of the San Min Chu I as a theoretical and philosophical alternative to Chinese Communist doctrine. Without dissent, they all agreed that it was out-dated and that there was nothing to take its place. To keep the discussion going, I threw out the suggestion that a new San Min Chu I might be formulated in the following terms: (1) "Horizontalism instead of verticalism", (2) "Benevolent Pao Chia-ism", (3) "Retain rice and clothing according to individual effort". These, I suggested, were slogans simple to comprehend in Chinese terms and yet capable of infinite theoretical elaboration.

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[8] Leader of the Chinese Revolution of 1911.

Horizontalism would, of course, be the antithesis of the central authority which is exercised through a vertical chain of command by the Chinese Communist Party.

Benevolent Pao Chia-ism would imply and require a shift of responsibility for social action and discipline from external police authority, which probes into the entrails of every family, to groups which at the grass root level would be responsible to and for each other.

Retain rice and clothing according to individual effort would be the antithesis to the Communist subordination of the agricultural and industrial life of the country, regardless of individual hardship or interest, to the demands of the Party, the army, and the bureaucracy.

In a sense these slogans describe traditional Chinese society. The group with whom I talked, while unanimously acknowledging the need for some philosophical alternative to the Communists were understandably reticent about commenting on the slogans which I had thrown out for their comment. On reflection, it seemed to me easy to understand why.

Traditional Chinese society has been incapable historically of accumulating capital resources which are essential for the operation of a modern industrial state. A democratic—or a traditional—alternative to Communist theories of social organization offers little or no promise for the rapid development of China along modern industrial lines. The intellectual dilemma of Chinese leadership on Formosa appears to flow from the fact that they know that if they return to the Mainland to throw off the pro-Russian bias of the Peking regime they might well be compelled to preserve most of the centralism and authoritarianism of the Chinese Communists, unless they could rely upon a massive commitment of US resources for the feeding of the Chinese population, for the support of the Government, and for the development of China's industry. This is something upon which they obviously could not rely.

If this diagnosis is correct it contains certain implications for the objectives we should seek in Formosa and for our expectations.

We should not expect Formosa, however well administered, to become a prototype for mainland China. Formosa is potentially a surplus economy, perhaps even with its present military establishment. China is almost certain to be a deficit economy at least for the next quarter century.

What should be sought in Formosa is a society led by Chinese who, with our help and in Formosa's favorable economic environment, can come to be regarded as *successful Chinese leaders*. If that leadership can remain in fact Chinese and look Chinese and be persuaded that our purpose on Formosa is to help them achieve Chinese solutions to their problems, that will offer a hope and an inspiration to the Chinese suffering Communist tyranny on the Mainland who will see in one province of China, free of Russian domination, successful Chinese leadership meeting the welfare needs of the people and preserving the important Chinese values of freedom of speech, thought, religion, and association.

For this to come about, the present leadership, policies, and programs of the military and police establishments must be purged of its evils. I came away from Formosa persuaded that General Chase is excellently qualified to perform this task and that there are better-than-even chances that he can do it.

I came away from Formosa also greatly impressed by the harmony of interest, purpose, and operations of the MAAG and the ECA missions under the tactfully handled guidance of Minister Rankin in the Embassy. The Chinese are not offered opportunities for pitting Americans against each other or engaging in wide end runs. The crux of the immediate problem for Washington, it seems to me, is to give to the MAAG all the cooperation it needs in acquiring competent personnel in the field of military finance, adequate personnel for checking operations of the Chinese military establishment, and such ECA assistance as will contribute the military and short-term economic objectives ECA has set for itself. Success in the short term may make possible institution by the Chinese, with the guidance which Mr. Moyer's ECA staff could competently provide, of a "Dodge Mission" type of economic recovery program in which there could be a gradual, but basic shift from commodity assistance to industrial development. It is wishful, however, to think in these promising terms—possible economic self support for Formosa through industrial expansion—unless the operations of the military establishment in the economic sphere are brought under the effective control of the MAAG in the very near future.

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**603.4193/10-351 : Telegram**

### *The Chargé in India (Steere) to the Secretary of State*

SECRET NEW DELHI, October 3, 1951—6 p. m.

1221. Ref Embtel 1189, Sept 29. Called on Bajpai noon today his request. He informed me Pannikar made representations Oct 2 to Chen Chia-kang Dir Asian Section FonOff Peiping on behalf US natls and left list names recently transmitted. Pannikar stressed that

Chen was member policy comite Chi Commie party and confidential advisor to Chou En-lai.

Bajpai said Pannikar had spoken several times recent weeks to Chi officials on importance for China to give considerate treatment fon natls if she wished achieve good will abroad. In Oct 2 talk Chen had at first replied by asking why CPG shld show special consideration for fon natls when thousands Chi natls under detention in fon countries particularly Malaya; also mentioned Philippines. Eventually however Chen had promised Pannikar to make investigation cases Amer natls on lists submitted and make report Ind Emb.

Bajpai went on to say Ind Emb only mission Peiping whose chief had personally made reps on behalf US natls. Lamb, according to Pannikar, had only presented note on our behalf. Bajpai stressed that patience necessary at this juncture. He hoped that step taken might be useful and eventually lead CPG awareness importance this problem. I told Bajpai US Govt had been extraordinarily patient in whole matter but thought it wld agree that continued patience necessary. In any event we most grateful for step which GOI and Amb Pannikar had taken on behalf Amer natls and wld await results anxiously.

STEERE

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603.4193/10-651 : Telegram

*The Chargé in India (Steere) to the Secretary of State*

SECRET NEW DELHI, October 6, 1951—noon.

1262. Deptel 752, Oct 4.[1] Occasion taken this a.m. convey Bajpai Dept's appreciation action behalf Amer natls Chi. Bajpai obviously pleased though disclaiming necessity formal thanks.

Bajpai took opportunity inform me Pannikar (who left Peiping for Ind Oct 5) had reported final call Chou En-lai. Latter had told Pannikar he might assure his govt that CPG had no intention making claims to or raising questions about boundary between Chi and Ind or between Chi and Burma. CPG policy was directed to consolidation Chi territory and cultivation friendship Ind and Burma. Bajpai said reply couched similar vein had already been despatched.

Bajpai went on to make what he described as "purely personal" observation to following effect:

Ind thought Chi wld give no cause for uneasiness as long as engaged Korea. GOI however was concerned about longer term outlook and Cabinet had had thorough investigation made whole problem northern frontiers which he thought wld lead within two years to marked change in whole aspect Ind policy border areas. Details his comments will be sent by despatch.[2]

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[1] Not printed.

**Steere**

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[2] Not printed.

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293.1111/10–851 : Telegram

## *The Ambassador in Burma (Key) to the Secretary of State*

CONFIDENTIAL RANGOON, October 8, 1951—11 a. m.

350. Embtel 289, Sept 17.[1] Permanent Secretary FonOff advised by Burma Amb Peiping that latter and several other chiefs mission mentioned to Russian Amb unsatisfactory treatment accorded Amer nationals China. In his capacity as *doyen* Russian Amb called situation attn CPR FonMin who stated he "wld give matter consideration".

Burma Amb added that various Embs had agreed also individually to bring subj attn CPR FonOff as opportunities occurred.

**Key**

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[1] The reference telegram, not printed, reported that the Burmese Foreign Office had instructed its Embassy in Peking to associate itself with representations which other missions there were making regarding the treatment of American nationals (293.1111/9–1751).

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293.1111/10–851 : Telegram

## *The Ambassador in Indonesia (Cochran) to the Secretary of State*

CONFIDENTIAL DJAKARTA, October 8, 1951—2 p. m.

534. Reply dated Sept 27 read from Indo FonOff Oct 6 to Emb note Sept 1 conveying msg contained Depcirtel 220.[1]

FonMin replied that upon serious consideration US request, Indo Govt prepared support any collective measures taken by reps foreign powers at Peiping in favor US Govt for purpose assisting Amer nationals mentioned.

**Cochran**

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[1] Dated September 4, p. 1797.

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603.4193/10–951 : Telegram

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, October 9, 1951—1 p. m.

1729. New Delhi 1221, October 3 to Department. At suggestion FonOff EmbOff called yesterday in order examine text of tel from Peiping giving Lamb's version of what Panikkar had told him of conversation he had with Chen Chia-kang, just prior to his departure for India October 4, on subject welfare Amers in China. EmbOff was cautioned utilize greatest discretion on passing to Department substance of Lamb's tel, as GOI had complained bitterly to UK that Lamb's detailed reporting on Panikkar's activities was undermining usefulness of Indian Emb in Peiping and, if it were necessary to inform US of anything GOI might be doing in support Amer interests China, appropriate channel of communication would be via New Delhi rather than London or Washington. Abridged version Peiping's tel dated October 5 follows:

According Panikkar, Raschin has seen CPG PriMin re welfare fon natls but has not specified nature or result of conversation.

Panikkar had just received instructions present to CPG list of Amers under arrest with request for info about them. List to be sent shortly. Meanwhile he had spoken to Chen who, tho he eventually undertook to see whether desired info could be supplied, made following contentious statement:

(*a*) Many Chinese being arrested and detained in Hawaii and US just for being Chinese and in PI and Malaya on security grounds; on what justification therefore did US and other govts complain about arrests in China of relatively small number their natls for security reasons?

(*b*) Anti-foreign feeling so strong in China, CPG might not be able keep it in check were it known masses of foreigners being treated with special leniency.

(*c*) Therefore, CPG purposely had not given publicity to arrests Amer and other nationals.

(*d*) Position CPG FonOff would be strengthened if Chi people realized US and other govts considered their natls were being severely dealt with. (In reply to Lamb's question whether this extraordinary example of Chi casuistry meant CPG would welcome utmost publicity abroad, Panikkar merely observed it showed peculiar psychology.)

Panikkar also told Lamb Chen had taken similar line with [*when*] Indonesian Chargé, during recent interview on own initiative, had referred to position of Amers and other fon natls in China. Chen argued Indon had recently arrested 700 Chinese for security reasons; therefore why should Indon take up defense of some 40 Amers arrested for similar reasons? Chen insisted this point though Indon Chargé pointed out that 80 were Chinese, balance being Indonesians.

Lamb obtained impression from above that CPG somewhat disconcerted over various representations and by unanimity of view which they offered. This did not mean CPG wld listen to reason but might contain merest hint CPG considering face-saving expedient of expelling as undesirables at least some of those arrested. Perhaps a clue will be offered in reply to Panikkar's specific request for info re persons listed.

GIFFORD

**793B.00/10-1151 : Telegram**

### *The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET CALCUTTA, October 11, 1951—2 p. m.

192. Just returned from brief visit Kalimpong during which I discussed Tib situation with Shakabpa, [name deleted], Sonam (Indian trade agent Yatung) and others. Fol is summary of conversations:

(1) According latest reports from Lhasa, Natl Assembly is still considering Sino-Tib agreement and consultations of Dalai Lama with Assembly, principal monasteries, and high officials may continue another two weeks;

(2) Little info available as to probable decision of Tib Govt although sources pessimistic re possibility Dalai Lama may leave Tib or denounce agreement;

(3) Shakabpa and [name deleted] estimate number Chi troops now in Lhasa as between one and two thousand while Sonam estimates between five and six hundred;

(4) Tibs' lack of confidence in GOI, already aggravated by absence favorable developments re wool exports, has been increased by irregularities in distribution of Indian cotton piecegoods to Tibet;

(5) . . . .

Details by desp.[1]

Sent Dept 192; rptd info New Delhi 164.

WILSON

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[1] Despatch 170 from Calcutta, October 13, not printed.

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**793B.00/10-651 : Telegram**

### *The Secretary of State to the Consulate General at Calcutta*

TOP SECRET WASHINGTON, October 12, 1951—7:09 p. m.

164. Reurtel 187 Oct 4 and New Delhi's 1266 rptd Calcutta 118 Oct 6.[1] Ur item 1. Pledge fin assistance from Amers to DL and entourage was premised specifically on DL selection entourage on basis polit usefulness (ref Deptel 23 Jul 12).[2] Concept was that support DL entourage is primary responsibility adherents Buddhist faith,

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[1] Telegram 187 from Calcutta, not printed, requested instructions on two points raised by the Tibetan official to whom the letter signed by Ambassador Henderson had been shown: (1) whether the United States would provide financial assistance for a retinue of 150 to 300 for the Dalai Lama, in order that officials might bring their families with them, and (2) what the U.S. attitude would be if the Dalai Lama were to stay in Tibet but send out a group of trusted officials to organize resistance (793B.00/10-451). The Embassy in New Delhi commented in telegram 1266, not printed, that a small retinue of possibly 100 would be preferable, but that it might be increased if the destination was India or Ceylon, where expenses would be lower than elsewhere; the Embassy believed that, because of the Dalai Lama's symbolic significance, an outside resistance group would have little chance of success if he remained in Tibet (793B.00/10-651).

[2] Same as telegram 91 to New Delhi, p. 1748.

hence Amer pledge limited "to extent required". However, if inclusion few wives, children, servants is believed major factor pledge may be expanded include not more than 150. In ur conversations with trusted Tibetans essential point is selection all members limited entourage on basis polit usefulness.

Ur item 2. In previous messages DL and in talks here with Taktser US assurances clearly premised on certain conditions including flight DL from Tibet and his public repudiation agreement with Chi Commies. Dept concurs ur feeling Tibetan resistance likely be ineffective if DL remains Tibet.

Acheson

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794A.5 MAP/10-1351 : Telegram

## *The Chargé in the Republic of China (Rankin) to the Secretary of State*

SECRET Taipei, October 13, 1951—3 p. m.

495. Oct 12 FonMin handed me fol reply dated Oct 12 to Emb communication dated, July 20 (mytel 92, July 20):[1]

"MinFonAff presents compliments to US Emb and has honor refer to Mins memo Aug 13, 1951[2] on steps initiated by Chi Govt to bring its mil and civilian expenditures under planned control. Min is now in position to inform Emb that pursuant to objectives set forth in the memo, Chi Govt has decided to adopt for the coming fiscal year a procedure for budget control, the salient features of which are as fols:

(1) The Nationalist budget, both mil and civilian, and the provincial budget are to be first referred, for study and discussion, to the econ stabilization board whose recoms are to be submitted respectively to the Exec Yuan and the Prov Govt for approval and for subsequent legis.

(2) The mil part of the Nat budget is to be prepared by the Min of Nat Def in consultation with MAAG, and then referred to the Econ Stab Board for action contemplated under (1) above. The MND will seek the advisory assistance of MAAG in matters relative to budgeting details.

(3) After the Nat and Prov budgets have been adopted, any supplementation thereto or revision thereof shall fol the same procedure as prescribed under (1) and (2) above.

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[1] See footnote 1, p. 1750.

[2] Not printed, but see footnote 2 to telegram 42, July 13, p. 1751.

(4) As to the budgets for the prefectures, municipalities, villages and townships, some gen principles are to be worked out by the ESB for the guidance of the Prov Govt in its supervision of the budgeting by the various levels of govt concerned.

(5) During the enforcement of the budgets, statements of current expenditure and revenue shall be regularly reported to the ESB.

To implement the above procedure, the Exec Yuan issued, on Oct 1, 1951, instrs for the compilation of the 1952 Nat budget to the various agencies concerned to the fol effect:

(1) Gen budget estimates for 1952 shall be in three parts listed below, and each part shall be balanced by itself:

(*a*) Mil budget estimates are to be compiled by the MND in consultation with MAAG. As to the resources, consideration shld be given to available funds from the treasury, US mil aid and that part of US econ aid set aside for the support of mil programs. Expenditures shall incl all regular, supplementary and special expenses.

(*b*) Estimates for civilian expenditure and loan service expenses shall be compiled by the Office of the Comptroller Gen of the Exec Yuan. Resources shall consist of available funds from the treasury, and expenditure shall incl all regular, supplementary and special expenses.

(*c*) Estimates of expenditure and revenue for production and construction projects are to be compiled by the Taiwan Production Board in collaboration with all production and construction agencies concerned. Resources shall incl all avail funds accrued or raised and funds derived from US econ aid. Expenditures shall incl all capital outlay and long-term working funds.

(2) When the three parts of the budget estimates have been compiled, they shall be referred to the ESB for study and discussion, and shall thereafter be sent to the Comptroller Gen of the Exec Yuan for compilation and for approval by the Exec Yuan on or before Nov 15, 1951. The budgets so approved shall be submitted to the Legis Yuan for legis.

Similarly, the 1952 budget for the Prov Govt shall be referred to the Econ Stab Board for study and discussion before approval by the Prov Govt and its adoption by the Prov Peoples Polit Council.

To ensure the closest coop between the Chi and the US Govts in the implementation of the US Govt progs for Chi, the Chi Govt will welcome any comment which the US Govt may wish to make on the procedure as outlined above."

*Comment:* From Amb, ECA and MAAG will be tele few days.

RANKIN

603.4193/10–1551 : Telegram

### *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, October 15, 1951—3 p. m.

1831. Embtel 1729, Oct 9 and New Delhi's 1221, Oct 3, both addressed Dept. EmbOffs in discussion at FonOff have been careful to avoid intimating in any way GOI has begun to pass to American Emb info re intervention on part of its mission in Peiping with CPG on behalf US nationals China. If Brit mission Peiping learns of opening of this channel of communication it may take stand that what GOI chooses to pass to US is affair of GOI and may therefore recommend to FonOff that its reports on future representations by GOI mission to CPG be withheld from us. If this were to eventuate, Dept would be deprived of the much fuller, more accurate and less biased reports of Brit rep. Bajpai believed inaccurate, for example, in stating that Indian Emb only mission in Peiping whose chief had made representations on behalf US nationals, as Panikkar himself source of info Indo Chargé had on own initiative spoken to CPG official on behalf Amers. Inference Lamb less assiduous than Panikkar in support of US interests seems unfair, as it is understood Lamb has so far been unable obtain appointment with CPG FonOff discuss American interests.

It is requested Emb be informed whether Dept and New Delhi are also withholding from UK fact GOI is now keeping us informed this subject.[1]

GIFFORD

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[1] Telegram 2128 to London, October 22, 1951, not printed, replied that the Department was under no obligation to inform the British of everything it received and had acted accordingly, although much information on the subject had been sent to the U.S. Embassy in London and, subject to the Embassy's discretion, could be given to the British (603.4193/10–1551).

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794A.5 MAP/10–1751 : Telegram

### *The Chargé in the Republic of China (Rankin) to the Secretary of State*

SECRET TAIPEI, October 17, 1951—noon.

504. Joint msg to State Defense ECA from Rankin, Chase, Moyer re Deptel 273, Sept 28. Believe Chi Govt reply Oct 12 (text sent Embtel 495, Oct 13) sets stage for adequate budget control. Fact that complete details on revenues and expenditures must be provided regularly to ESB for joint Chinese and American review and comment furnishes basis for full exchange of info and views. Form and

time of submittal of reports will be worked out and specified in any necessary detail by mutual agreement. Opportunity thus provided for Americans participating in ESB and sub-committees to raise questions on any item and if deemed desirable to have access to records in appropriate Chi auditing and other agencies. No further specific action on latter point seems necessary at present.

Chi reply establishes principles which will enable further development of detailed mechanisms for effective implementation. This under active study and discussion. Will forward short supplementary report on reports re control milit expenditures which are largest and most difficult to handle.

First para Section 5 Chi reply is interpreted to include operating results govt-owned enterprises; ref to "production" in second para 1*c* refers to productive enterprises owned or operated by Chi Govt which play such large part in econ life of Formosa and hence in any budget making and reporting process.

Unless Washington perceives objections we plan to inform Chi Govt proposals generally acceptable and to confirm our understanding as mentioned in above para.

We believe publicity on above at present moment through statements by Generalissimo would serve no useful purpose. Progress to date is result extensive discussions between Chi and Amers on all points plus detailed consideration within Chi Govt both at top and working levels. Represents notable restriction financial economy of Chi milit and shift to unified civilian economic control with Generalissimo's full approval on general principles but with details and carrying out to be left to appropriate agencies. Basic facts already widely known and appreciated in Chi Govt circles. Practical implementation now under way involves concrete steps which will make clear to ever increasing number the full implications. Meanwhile, we believe wiser build up position of responsible agencies as instruments of govt and to play down old idea that Generalissimo personally handles all details of state which increasingly not the case. [Rankin, Chase, Moyer.]

RANKIN

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793B.00/7–2251 : Telegram

*The Secretary of State to the Embassy in India*

TOP SECRET WASHINGTON, October 19, 1951—7 : 17 p. m.

849. Embtels 269 Jul 19 and 302 Jul 21 reported assurances from Dutt that GOI had taken steps convey to DL GOI willingness grant asylum. Appears however that either GOI never took such step or

message never reached DL. Dept notes Tibetan informants believe GOI has obstructed and discouraged DL plans.

Dept believes next few weeks critical period for Tibetan consideration Sino-Tibetan agreement and possible flight DL. It therefore appropriate make further urgent effort persuade DL leave Tibet and repudiate agreement. [Name deleted] . . . . Request soonest views Emb and ConGen re following proposal.

Suggest Emb confidentially inform Bajpai or Dutt (whichever you believe more likely be responsive) that Emb concerned by reports Tibetans feel strongly impending loss Tibetan autonomy. Many influential Tibetans reportedly believe DL's present plight due lack of sympathy and support from GOI. Inquire whether GOI has similar reports and request GOI appraisal Tibet developments. Emb may comment it wld be most unfortunate if simple misunderstanding by Tibetans has deleterious effect on Tibet and possibly on personal safety DL. Suggest point out misunderstanding might have arisen from fact Dayal had not received instrs when Shakabpa made tentative inquiry Jul. Emb reports suggest assurances expressed by Dutt to Emb apparently did not reach DL. Might be appropriate at this point to inquire whether GOI has info indicating DL did receive GOI assurances.

FYI Record shows US cannot rely on initiative GOI in new approach to DL. However, Dept hopes new Emb approach to GOI may result in GOI statements providing basis for Emb message to DL indicating receipt by Emb of recent assurance from GOI that asylum or transit privilege will be granted DL on request.

ACHESON

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693.4193/10-2351 : Telegram

## *The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, October 23, 1951—1 p. m.

1982. Embtel 1729, October 9. Tel from Peiping dated Oct 1 contains info obtained by Lamb from Indian Chargé re latter's interview with Chen Chia-Kang on handing to him list of arrested Amers with regard to whom specific info was requested.[1] Chen expressed great surprise at any such specific request for info, having understood Panikkar's representations had been made on more gen lines. Nevertheless he agreed refer matter to higher authority. When Chargé mentioned anxiety caused by current reports of harsh treatment of Amers, including subjection to chains and handcuffs (which known to be true), Chen denied them, insisting all foreigners well treated. Chen had previously made equally "astounding statement there were only few respectable law-abiding foreigners in China and majority had committed crimes for which they deserved punishment."

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[1] Telegram 1319 from New Delhi, October 12, 1951, had reported that the Indian Chargé, T. N. Kaul, had called on Ch'en Chia-k'ang to present a list of Americans in prison or under house arrest, but Ch'en had refused to receive the list until he had had an opportunity to consult with Foreign Minister Chou En-lai (293.1122/10-1251).

Lamb comments this persistently shameless attitude not encouraging and unlikely Chi will supply desired info. However, understood some Catholic priests in custody have recently been less rigorously treated and this partial improvement may be result of representations made by various diplomatic missions.

GIFFORD

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794A.5 MAP/10-1751: Telegram

*The Secretary of State to the Embassy in the Republic of China*

SECRET WASHINGTON, October 24, 1951—3:13 p. m.

351. Rankin, Chase, Moyer from State, Defense, ECA.

Re 495 Oct 13 and 504 Oct 17. Min shld be appropriately notified US Govt encouraged by gen scope and nature arrangements described MinFonAff reply Oct 12 and prepared to offer its own full coop and assistance in accomplishing desired budget and financial controls. Shld emphasize that US part is to help Chi achieve vital objectives they have set for themselves.

State-Defense-ECA agree that publicity re arrangements undesirable this stage.

However, in view magnitude US aid, determination both exec and legislative branches US Govt that aid efficiently used, and recognition Generalissimo's paramount influence on Formosa, it is necessary that US obtain from Generalissimo personal assurance that he is familiar with and fully supports these arrangements. Such assurance may have great future utility and is important for record. Washington requests Rankin's judgment re best method for obtaining it. Possible method wld be for Rankin to convey report to Generalissimo that US Govt will follow with interest and sympathy working out of arrangements and will be glad to know that Generalissimo shares our desire for their full success and then present Generalissimo with *aide-mémoire* or memo of conversation on mtg.

For your own info assumed here that as MAAG consults and collaborates with MND re Chi mili budget it will maintain continuous contact ECA Mission re mili budget, impact costs, and other related problems arising from burden mili estab on Formosan econ. [State, Defense, ECA.]

ACHESON

601.9193/10-1851 : Telegram

## *The Secretary of State to the Embassy in India*

SECRET WASHINGTON, October 24, 1951—6:21 p. m.

874. Urtel 1397 Oct 18.[1] In opinion Dept you shld make effort talk with Pannikar preferably in presence Bajpai or other high official re former's reports subj treatment US Natls Commie China. Dept aware Pannikar's temperament, pol inclinations and possibility he may not return Peiping but of opinion if possible case these Amers shld be directly discussed with him, since he appears regard Chi Commies as having a responsible Govt. Such interview wld be first opportunity Amer official obtain first-hand account and ask questions. You shld of course make request for conversations through MEA. If not possible talk Pannikar you shld make effort talk Bajpai re Pannikar's reports.

In such conversations stress shld not be placed primarily on fact imprisonment (as this may elicit reply China is sovereign state, etc.), but more particularly on conditions detention, which in many cases inhumane and contrary basic and well-recognized rights re treatment foreigners, including indefinite detention without trial or even notice of charges, holding incommunicado, denial access legal counsel. You shld mention this Govt's great anxiety re these Amers heightened by approach winter.

Re ur request comment, as far as Dept is informed only small nr Chi have been arrested Phils and those arrests have been for violation Phil laws, such as illegal entry Phils, overstaying visitor's visas, smuggling, and black market operations. Dept not aware any deviation from generally accepted standards treatment foreigners present in case arrests Phils.

Any comment Pannikar or Bajpai may make re representations Pannikar or other fon dipls Peiping to Commies, Commies' reactions, Pannikar's estimate outcome representations wld be interest Dept.

ACHESON

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[1] The reference telegram noted that it might be possible to talk with Panikkar, who was in New Delhi, and requested guidance from the Department, particularly the Department's comments on the Chinese charge that Chinese nationals were under arrest in the Philippines (601.9193/10-1851).

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793B.00/10-3051 : Telegram

## *The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NEW DELHI, October 30, 1951—1 p. m.

1533. Deptel 882 Oct 25, rptd Calcutta 184, Deptel 849 Oct 19 rptd

Calcutta 176, Embtel 1465 Oct 24 rptd Calcutta 128, Contel 215 Oct 24 to Dept rptd Delhi 182.[1]

Subj reftels discussed first opportunity today with Bajpai. His understanding was Ind trade agent Yatung had been instructed (Embtel 302 July 21) pass to Dalai Lama info that GOI prepared accord asylum India. His impression was instrs had been carried out thru third party since direct access Dalai Lama impossible but he promised check MEA info and inform me. I asked if not definite that Dalai Lama had been informed GOI attitude, and if this attitude unchanged, whether Sinha, GOI rep Lhasa, might be instructed pass same info to Dalai Lama there. Bajpai replied GOI attitude re asylum unchanged but that in present circumstances Lhasa, GOI wld be unable take such initiative since it wld be open to construction GOI endeavoring encourage Dalai Lama leave Tibet. I then asked whether Sinha informed that GOI prepared grant asylum to Dalai Lama if latter desired. Bajpai said he felt sure Sinha so informed but that he wld investigate and wld have him informed if any doubt existed. He added Sinha wld inform any authorized rep of Dalai Lama re GOI attitude if such rep shld make inquiry.

Above inquiries were made after explaining to Bajpai that from several Tib sources Emb has heard that Dalai Lama had desired take refuge India but had been discouraged by apparent lack GOI sympathy for Tibet and in last analysis by failure or inability receive assurances from GOI that it prepared accord him asylum. I added that it wld be most unfortunate if simple mischance or misunderstanding shld result in damaging effects on welfare of Tibet and possibly even on personal safety Dalai Lama. Latter from all reports was intelligent, courageous youth who deserved better fate.

Bajpai gave vent to some expressions regret but pointed out that there had been little that India cld offer Tibet in way of polit or practical support. He concluded by remarking that there now seemed little or no possibility of Dalai Lama leaving Tibet even if he desired since MEA had just recd reports from Lhasa to effect Tib auths had agreed unanimously to ratification Sino-Tib agreement of last May.[2] I remarked Emb had seen Peiping press report to that effect and wondered whether his info might not be based on that report. Bajpai promised to check and advise later.

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[1] Telegrams 1465 from New Delhi and 215 from Calcutta, October 24, 1951, neither printed, agreed that it might be advantageous to again discuss the question of asylum for the Dalai Lama with the Indian Government (793B.00/10–2451). Telegram 882 to New Delhi, October 25, 1951, not printed, instructed the Embassy to approach the Indian Government on the subject (793.B00/10–2451).

[2] Despatch 299 from Calcutta, December 21, 1951, confirmed that formal Tibetan acceptance of the agreement had been conveyed by a message dated October 25, 1951, from the Dalai Lama to Mao Tse-tung, after the Tibetans had been assured that the Chinese would not interfere in Tibetan internal affairs (691.93B/12–2151).

. . . Emb believes message shld indicate that if authorized rep of Dalai Lama approached Sinha in Lhasa, he wld learn that GOI was still willing grant asylum to Dalai Lama if desired.

Sent Dept 1533; rptd info Calcutta 136.

STEERE

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**411.93B6/10-3051 : Telegram**

*The Chargé in India (Steere) to the Secretary of State*

TOP SECRET NEW DELHI, October 30, 1951—2 p. m.

1534. Re Calcutta despatch 169, October 13 and Contel 221, October 27 to Dept.[1] Even though US Treasury regulations permit import Tibetan wool into US (paragraph 2, Deptel 566 September 10), it appears present procedure may be hampering shipment (ConGen despatch 169, October 13).[2] Tibetan authorities and people seem to interpret non-shipment indicative unfriendly attitude on part US at time when Chinese Commies endeavoring consolidate position Lhasa. Embassy strongly recommends consideration be given by Dept and Treasury to application Treasury regulations in such way as to simplify import into US of Tibetan wool which does not come from Commie-controlled area of Tibet. One way might be to license shipments and payments for short-term periods in names Indian exporters and American importers who are reliable and who have customarily dealt in Tibetan wool. These parties could file copies licenses with National City Bank and other negotiating banks in Calcutta. Effect foregoing procedure would be to protect US interest, provide assurance to Tibetans US would take its wool under proper circumstances, and keep wool from going to China.

Sent Dept 1534, rptd info Calcutta 137.

STEERE

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[1] Despatch 169 from Calcutta recommended that the Department make every effort to have the Treasury Department modify its restrictions on Tibetan wool; the Consulate General thought this would be a gesture of good will which might encourage the Tibetans to resist the Chinese Communists (893B.24222/10-1351). Telegram 221 from Calcutta, not printed, recommended urgent action to relax the Treasury restrictions lest the Tibetans sell the next season's wool to the Chinese, who reportedly needed wool for blankets, "possibly needed in Korea" (893B.24222/10-2751).

[2] Not printed.

794A.5 MAP/10-3151 : Telegram

## *The Chargé in the Republic of China (Rankin) to the Secretary of State*

SECRET TAIPEI, October 31, 1951—3 p. m.

563. Complying Deptel 351, Oct 24, re budget control I have sent note to FonOff[1] covering points mentioned in first full para reftel and in third full para mytel 504, Oct 17.

Also propose address letter to FonMin requesting he convey my appreciation to Generalissimo for his attention and support in instituting new arrangements, also incorporating in letter substance para Deptel 351. FonMin will reply by letter confirming he has conveyed my msg to Generalissimo and latter familiar with and giving support to new arrangements.[2] This is for the record.

Further propose to review subject with Generalissimo when I take new ECA mission chief Schenck[3] to call on him soon after latter's arrival about 12 days hence.

RANKIN

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[1] The text of the note, dated October 30, 1951, not printed, was sent to the Department as an enclosure to despatch 204, November 13, 1951 (893.10/11-1351).

[2] Rankin's letter to Foreign Minister Yeh, dated November 5, 1951, and Yeh's reply of November 6, neither printed, were sent to the Department as enclosures to the despatch cited in footnote 1, above.

[3] Hubert G. Schenck was replacing Moyer as head of the ECA Mission.

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794A.00/11-151

## *The Secretary of Defense (Lovett) to the Secretary of State*

SECRET WASHINGTON, November 1, 1951.

DEAR MR. SECRETARY: I am forwarding herewith for your consideration the attached copy of a memorandum from the Joint Chiefs of Staff, dated 24 October 1951, on the US position with respect to Formosa. This memorandum comments on the two draft position papers[1] prepared by the Department of State regarding the position that the United States should take on the question of Formosa should it arise during the forthcoming Sixth Session of the General Assembly.

The views of the Joint Chiefs of Staff, with which I concur, reinforce what appears to be the intent of these two position papers to prevent and avoid consideration of this subject at the forthcoming Session. Therefore, I strongly recommend that the revisions proposed by the Joint Chiefs of Staff in paragraphs 3, 4, and 5 be incorporated in the final position paper for the US Delegation.

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[1] The two draft position papers, both dated October 2, are not printed. One paper was based on the assumption that an armistice would be concluded in Korea; for the text of the final position paper based on that assumption, see p. 1020. The other paper was based on the assumption that there would be no armistice at the time the question of Formosa came under consideration at the Sixth Session of the General Assembly; for text, see p. 1016 (JCS Files). Earlier drafts of the two papers, dated September 25, are filed with a covering memorandum from Troy Perkins to W. Bradley Connors, September 26, 1951 (611.94A/9-2651).

But this memorandum of the Joint Chiefs of Staff also sets forth US security requirements regarding Formosa on the basis of developments since their memorandum of 2 January 1951 on the strategic importance of Formosa. In this respect, I would like to call your attention in particular to paragraphs 2*a*, 2*g*, and 2*h*. In view of the scope of the attached memorandum I believe that it might be useful to refer this memorandum for information to the National Security Council, with a view possibly to reexamining US national policy on Formosa as now stated in NSC 48/5.[2]

Sincerely yours, ROBERT A. LOVETT

[Enclosure]

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Lovett)*

SECRET WASHINGTON, October 24, 1951.

Subject: United States Position with Respect to Formosa

1. This memorandum is in reply to your memorandum, dated 10 October 1951,[3] in which you requested the Joint Chiefs of Staff to submit their views and recommendations on two draft position papers prepared by the Department of State regarding the position that the United States should take on the question of Formosa, should it arise during the forthcoming Sixth Session of the General Assembly. The Joint Chiefs of Staff have also included views on the "Comment" which accompanied the two draft position papers.

2. The following views of the Joint Chiefs of Staff are presented as background for their comments on the subject papers:

*a.* The position of the United States in the Far East, and the security interests of the United States now and in the foreseeable future demand that:

(1) The island of Formosa be denied to the Communists, Chinese or otherwise; and

(2) The government in power on Formosa continue to be oriented to the United States;

*b.* Accordingly, the United States should continue to support a friendly Chinese regime, of potential military value, on Formosa;

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[2] For text of NSC 48/5, May 17, 1951, see vol. VI, Part 1, p. 33. See also the memorandum, p. 439.

[3] Not printed.

*c.* In light of the possibility of expanded hostilities in the Far East, the military potential of the Chinese Nationalist Forces on Formosa must be developed and maintained to the end that those forces may effectively support United States policies in the Far East;

*d.* The United States and the USSR are engaged in a "cold war" and not in active hostilities. On the other hand, from a realistic point of view, the fighting between the forces of Communist China (satellite of the USSR) and of the United States is tantamount to war between these nations, with the scene of action confined to the area of Korea. There is no assurance that the fighting will remain localized;

*e.* There is every indication that the Soviet regime desires that Formosa come under Chinese Communist control. Moreover, certain other members of the United Nations favor such an eventuality. There are indications that the policies of those nations in that regard are, in general, predicated upon self-interest;

*f.* The total population of Formosa is of the order of 7,850,000 persons. Of these, approximately 1,800,000, or slightly less than one quarter of the total number, are Chinese Nationalists. Therefore, if the Formosa question is considered under circumstances in which the security interest of the United States is not paramount, such consideration must, in order to maintain United States military prestige in the Far East, place emphasis on the well-being and wishes of the Chinese Nationalists as well as of the indigenous population. In this connection, failure to safeguard the rights of the Chinese Nationalist people on Formosa could deprive the United States of military support of allies (present and future) amongst the Asian peoples, particularly the South Koreans;

*g.* Among the Western nations, the United States is now the dominant power in the Western Pacific. Consequently, in any conflict of interest arising between the United States and other Western Powers which may affect the position of the United States in the Far East, the United States should, in its own interest, insist that United States security considerations in that area be overriding; and

*h.* The security interests of the United States in Formosa are of such importance that the United States, if necessary, should take unilateral action to preserve its military position there.

3. In light of the foregoing and of the world situation in general, the Joint Chiefs of Staff recommend that both the draft position papers and the "Comment" be revised to incorporate the following views:

*a.* The problem of the status and ultimate disposition of Formosa should not be submitted to an international conference for examination prior to the restoration of peace and security in the Pacific Area, in any event not before the satisfactory settlement of certain international problems, among which are:

(1) A political settlement of the Korean problem;
(2) The rearmament of Japan sufficient to enable that nation to make a material contribution to its own defense;
(3) A settlement of the Indochinese problem; and
(4) The establishment or restoration of a regime not aligned with or dominated by the USSR on the Chinese mainland.

Specifically with reference to paragraph 2[4] of the recommendations of the first draft position paper, it is noted that an armistice does not of necessity end hostilities although it does suspend them. Further, the existence of a military armistice in Korea without the achievement of a political settlement does not constitute sufficient justification for an international re-examination of the Formosa question;

*b.* The United States position in the Far East is such that in any settlement or international discussions of the Formosa question, United States security interests must be given overriding consideration;

*c.* With respect to Formosa, it is in the security interests of the United States to:

(1) Support a friendly Chinese regime on Formosa to the end that it will be firmly aligned with the United States;
(2) Develop and maintain the military potential of that regime; and
(3) Place due emphasis on the well-being and wishes of the Chinese Nationalist population of Formosa.

In connection with the foregoing it must be recognized that "Nationalist control of the island" is a continuing reality; and

*d.* The present United States course of action with respect to Formosa, as set forth in NSC 48/5, does not constitute merely "neutralization of Formosa." Consequently, that term and concept should not be included in a United States position paper on Formosa.

4. In light both of the prestige of the United States in the United Nations, and of the interest of the United States in the Formosa question, the Joint Chiefs of Staff are unwilling to accept the implication of the clause appearing in paragraph D of the "Comment":

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[4] The paragraph under reference read as follows:

"2. It is in the interest of the United States to avoid discussion of the question of Formosa at the Sixth Session. Public discussion in present circumstances could only expose and underline the differences between us and our allies. We should inform other delegations, if questioned regarding our views, that while the armistice ended hostilities, peace and security were not yet fully restored; in the circumstances it does not appear that a satisfactory permanent solution could be achieved at this time. The question could be re-examined when there is a political settlement in Korea or when the armistice had been in effect sufficient time to establish Chinese Communist good faith and intentions." (JCS Files)

"In the event that the consideration of the Formosa question becomes unavoidable . . ."

The importance of the United States position in the Far East is such that the United States should take those measures necessary to prevent consideration of the Formosa question in the Sixth Session of the General Assembly or in any other international forum established thereby.

5. The Joint Chiefs of Staff consider that the United States actions in the Formosa question should, in United States self-interest, be guided by the realities of the "cold war" and of the explosive nature of the situation in the Far East, rather than by the framework of public pronouncements and declarations which antedate intervention of Communist China in the war in Korea.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*
*Joint Chiefs of Staff*

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603.4193/11-551

## *The Second Secretary of Embassy in the United Kingdom (Marvin) to the Department of State*

CONFIDENTIAL LONDON, November 5, 1951.
No. 2060

Subject: Representations on Behalf of American Nationals in China.

The British Chargé d'Affaires at Peiping, Mr. Lamb, reported to the Foreign Office on October 31, 1951, as follows with regard to representations on behalf of American nationals in China:

1. The Danish Minister, after consulting with both Mr. Lamb and the Swiss Minister and obtaining their agreement, decided not to make representations on behalf of American nationals. He justified this decision on the ground that at this late stage, representations might do more harm than good.

2. Although the Norwegian and Netherlands Chargé d'Affaires both had earlier acted in connection with the representations on behalf of foreign nationals generally, they have similarly decided against separate representations on behalf of Americans.

3. Mr. Lamb gathers, from what the Indian Embassy told the Swiss Minister, that the Soviet Ambassador did not obtain an encouraging reply from Chou En-lai to his suggestions about treatment of foreign nationals. Chou En-lai insisted that this was a question of internal security. It appears that under the circumstances there was no ques-

tion of an interview between the Soviet Ambassador and the chief of the security police (see Embassy's telegram 1505, September 25, 1951).

DAVID K. MARVIN

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601.9193/11-1051 : Telegram

*The Ambassador in India (Bowles) to the Secretary of State*

SECRET NEW DELHI, November 10, 1951—8 p. m.

1709. Deptel 874, Oct 24. Steere and I have talked with Panikkar re US natls Chi and generally re Commie Chi situation, policies and position Asia.

Panikkar gave us little new or encouraging info re US natls. He said Chi Commies had different views than Western world about activities of foreigners, particularly re security matters opposition to govt. Chi Commies unlikely take tolerant view of what they wld consider offenses on either count. Authorities were determined to compel fon recognition of Chi "great power" status in all respects, including compliance with Chi laws. CPG did not fol Western legal practices. Peoples courts now functioning did not provide for private legal counsel; charges not made until courts ready to proceed, etc. He did not react to mention inhumane treatment except to say that only in more serious cases were persons held in jail.

He admitted Amer natls in jail, under detention or house arrest probably more numerous than all other fon natls combined yet he was unable to forecast how rapidly their cases wld be dealt with. He intimated that no urgency wld be felt as long as hostilities with US forces Korea continued. He doubted that Commie authorities wld be inclined, because fon natls concerned, to dismiss charges and simply expel those involved. He said that any Catholics affected wld be likely receive very little consideration.

Panikkar's remarks other matter in separate tel.[1]

BOWLES

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[1] No such telegram has been found in the Department of State files. For a report of a conversation between Bowles and Nehru concerning China, see telegram 1661 from New Delhi, November 7, 1951, vol. VI, Part 2, p. 2186.

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*Editorial Note*

For the texts of statements made on November 13 by Secretary of State Acheson and Ambassador Warren R. Austin at the meeting of the United Nations General Assembly in Paris, opposing a Soviet proposal to include in the agenda an item on Chinese representation, see the Department of State *Bulletin*, December 3, 1951, page 917. The General Assembly rejected the Soviet proposal later that day.

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793B.00/11-1451 : Telegram

*The Consul General at Calcutta (Wilson) to the Secretary of State*

TOP SECRET PRIORITY CALCUTTA, November 14, 1951—4 p. m.

248. Re Contel 204, November 11 to Delhi rptd Dept as 243.[1] Gibson delivered message (Deptel 959, November 7 and Embtel 148, November 10).[2] . . . [names deleted] plan to proceed Lhasa in about 2 weeks with msg and will attempt persuade DL leave Tib. Both seem confident DL's willingness come but foresee great difficulties and while realizing this is primarily DL's problem feel he may be unable escape without assistance. They asked if US could send one or more planes to vicinity Lhasa. They believe exit by horse impossible in view length of journey and presence Chi Commie troops along route in some strength. However, if plane operation not feasible, (and ConGen aware of serious difficulties involved) they believe possibly DL can enlist support of monks who, if armed, could perhaps overcome Chi in Lhasa (reported numbering 3000) and permit DL withdraw to point where planes could evacuate him and retinue. Latter alternative would require arms, supplies and possibly leadership from USA. [Names deleted] hope before departing to receive from ConGen some detailed info re possibility our assistance in flight from Lhasa as well as more info our plans for assisting DL after leaving Tibet. . . . Gibson emphasized implementation any plans would require assurance DL's intention leave Tib, denounce Sino-Tib agreement and continue fight against Commies and would also require precise communications, planning and timing. ConGen believes if DL is persuaded leave Tib considerable US advice and aid will be required.

Would appreciate indication Dept's and Emb's views. We realize foregoing raises great many problems but this is probably last chance to get DL out. Today's press states Chi troops have reached Gyantse.

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[1] Not printed.

[2] Telegram 959 to New Delhi, November 7, 1951, not printed, instructed that an attempt should be made to forward another message to the Dalai Lama. The letter shown to the Tibetan official should be used as the basis for the message, with the additional point that the Embassy had recently learned from the Indian Government that the latter was willing to grant asylum or transit privilege if the Dalai Lama requested (793B.00/11-651). Telegram 148 from New Delhi to Calcutta, November 10, 1951, not printed, expanded on these instructions (Calcutta Post Files : Lot 56 F 55).

Dept may however wish at least take advantage this opportunity get ltr from Takster to DL . . . .

Desp fols.[3]

WILSON

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[3] Despatch 233 from Calcutta, November 15, 1951, not printed.

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793B.00/11-1551 : Telegram

*The Ambassador in India (Bowles) to the Secretary of State*

TOP SECRET NEW DELHI, November 15, 1951—7 p. m.

1749. Ref Calcutta's 248, Nov 14 to Dept, rptd Delhi 208. Emb has no doubt DL remains personally willing leave Tib in spite his return Lhasa from Yatung last July. Emb also believes DL personally still opposed provisions Sino-Tib agreement although recent reports re Tib ratification have been confirmed by GOI (Embtel 1745, Nov 15).[1] We have no reason believe DL has changed his mind in either respect and interpret both developments, particularly latter, as indicating DL and his govt are no longer free agents and are gradually succumbing pressure created by presence Chi Commie troops in Lhasa and elsewhere in Tib. Under such circumstances it is understandable [names deleted] who have . . . fears for his safety wld dream of ways in which he cld achieve freedom.

Emb believes, however, their suggestions for overt US provision of planes, arms, supplies and leadership are practically impossible and politically undesirable at this time. Overt US aid wld be considered by Commie Chi as US intervention in Tib affairs; it wld provide Commie Chi with ready-made excuses for further extension their control Tib; and it wld also subject US to renewed propaganda charges imperialism in Asia. Furthermore, provision US aid wld require full coop on part Ind because of Tib geographic position. It is highly unlikely GOI wld be willing permit US aid to transit Ind or itself to supply Tib for fear effect on Ind relations with Commie Chi. It is also likely Ind wld resent any US effort provide covert assistance to Tib at this time.

Although . . . US assistance felt practically and politically undesirable at this time Emb believes US shld make at least one final effort by letter or oral messages to encourage DL to resist in ways best known to Tib Govt. Emb believes new letter from Takste who carries document from DL as latter's authorized rep wld be best means. It might reiterate previous US statements in simple terms and include practical suggestions by Takste whose knowledge sit in Lhasa shld assist him in recommending steps to be taken in immediate future.

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[1] Not printed.

Although it may not be feasible, DL might for example make pilgrimage to Buddhist shrines in Tib from one of which he might escape southward to Ind.

Dept might also . . . send DL small gifts such as newest photographic equipment and colored film in which DL greatly interested. On basis previous experience Emb believes latter although small wld rep tangible evidence to DL of US friendship and wld have effect far out of proportion to their monetary value.[3]

Sent Dept 1749, rptd info Calcutta 153.

BOWLES

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[3] A draft message to be forwarded by Taktser to the Dalai Lama, attached to a memorandum of November 19, 1951, from Perkins to Allison, not printed, affirmed "our original position—full aid and assistance to you when you come out" and stated that although it was not possible to fly into Lhasa for him, aid would be given to him in his flight if it was both necessary and feasible. A handwritten notation on Perkins' memorandum indicates that Matthews gave his approval on November 23 (793.B11/11-1951). Telegram 1067 to New Delhi, November 26, 1951, not printed, informed the Embassy that a letter from Taktser and a gift for the Dalai Lama had been forwarded to Calcutta (793B.00/11-2551).

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793.00/11-1551

### *Memorandum of Conversation, by the Regional Planning Adviser, Bureau of Far Eastern Affairs (Emmerson)*[1]

CONFIDENTIAL [WASHINGTON,] November 15, 1951.

Subject: Communication from Canadian Consul General in Shanghai.

Participants: Mr. Peter Campbell, Second Secretary, Canadian Embassy, and
Mr. John K. Emmerson, FE

Mr. Campbell permitted me to read a letter which had been received from Mr. George Patterson, Canadian Consul General in Shanghai. He said he was not authorized to leave the letter with me or permit me to take notes on it. However, since it had been brought out of China by "safe hand", namely, the Indian Ambassador, Mr. Panikkar, Mr. Patterson had discussed the situation a little more frankly than he was able to do in other communications and consequently the Embassy thought it might be of interest to us.

Mr. Patterson pointed out the difficulty of his communications facilities, stating that his only method of transmitting coded messages was through the British. This involved five days transit time to Peiping and the necessity for the message being read and encoded by his British colleagues. Consequently his communications with Ottawa had been restricted largely to selected press clippings.

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[1] The source text was seen by John M. Allison, who was, in Rusk's absence, the unofficial Acting Assistant Secretary for Far Eastern Affairs, and by U. Alexis Johnson, Acting Deputy Assistant Secretary for Far Eastern Affairs. Allison officially became Acting Assistant Secretary upon Rusk's resignation on December 9.

The following are the highlights of Mr. Patterson's comments on the situation in China:

Few people outside of China appreciate the "sweep of the revolution" and the fact that it has penetrated every phase of the lives of the Chinese. The bureacracy has been built up to the extent that it touches the daily activities of practically every Chinese individual who is thus constantly aware of what the government is doing and what he is expected to do. It is a delusion to think that there is any substantial resistance to the present regime. The Communist Government has brought efficiency, has removed to a large extent the corruption which existed under the KMT regime, and has succeeded in spurring the Chinese to a high degree of activity. The Chinese are working hard in every field and making great economic progress.

The peasants are in general behind the regime. They believe that Mao has built his strength largely on the peasantry and that their welfare is being enhanced by the policies of the Communist Government. This estimate is contradictory to one made by Dean Trivett, Canadian Dean of the Cathedral in Shanghai, who recently visited Washington. Dean Trivett stated that the peasants were turning against the regime due to their disillusionment with its fulfillment of promises made to them. In view of the restricted opportunities for observation and gathering information available to either Mr. Patterson or Dean Trivett, it appears to me that the validity of their generalizations regarding "the attitude of Chinese peasants" is open to considerable doubt, to say the least.

The police controls are, of course, onerous and the Chinese chafe under them. There has been a great deal of ostentation with regard to the arrest and execution of large number of Chinese citizens. However, according to Mr. Patterson, the average Chinese who sees these so-called "criminals" being driven through the streets, believes them guilty of crimes and deserving of punishment. Most Chinese do not, therefore, resent these arrests and do not believe that people are being executed just because of previous membership in the KMT. This statement differs from the impression gleaned from a conversation with Dean Trivett who thought a prevalent attitude was revealed by one of his Chinese friends who placed his arms in the position of being handcuffed and remarked, "Soon, we shall all be like this!"

The Canadian Consul General discussed the situation of the remaining foreigners in Shanghai as being one of continual nervousness and anxiety. A number, of course, have been arrested. The others are subjected to endless regulations and red tape. However, Mr. Patterson believed that most of these regulations could be explained on a logical basis and, except for the one which prohibited any departing foreigner from taking more than 20 ounces of silver out of the country, did not regard them as particularly unfair.

Mr. Patterson concluded with a description of the oppressive and ominous atmosphere which he admitted affected the attitude of foreigners living in Shanghai. He said that no doubt psychologists could easily explain it. He said that although one could walk freely in the streets, travel beyond Shanghai was restricted and one had constantly the feeling of being under surveillance and being subject to arrest or some other dire calamity at any time.

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Secretary's Memoranda : Lot 53 D 444

*Memorandum of Conversation, by Ambassador David M. Key, Adviser to the United States Delegation to the United Nations General Assembly*

CONFIDENTIAL [PARIS,] November 19, 1951.

Subject: Sino-Soviet Item

Participants: The Secretary of State
Dr. T. F. Tsiang

Dr. T. F. Tsiang called by appointment on the Secretary at 5:30 on the afternoon of November 17.

Dr. Tsiang explained at the outset that the purpose of his call was to enlist American support of the Chinese resolution condemning the USSR for violation of the Sino-Soviet Treaty of 1945.[1]

After briefly reviewing the history of this resolution from the time it was first presented to the Fourth Session of the General Assembly up to the present, Dr. Tsiang stated he realized that the objectives sought in certain sections of the resolution had either already been partially achieved or, as in the case of the third paragraph of the substantive part of the resolution in which non-recognition of the Peiping regime was recommended, it would be impossible for a number of states which had already recognized the Chinese Communist regime to support this part of the resolution. For these reasons, Dr. Tsiang felt that, from a practical viewpoint, it would be wise to concentrate on the first part of the substantive section which in essence calls for a "moral condemnation" of the USSR for having violated the Sino-Soviet pact of 1945 and the UN Charter. Dr. Tsiang claimed that his government could produce ample proof and evidence of Soviet violations of the pact.

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[1] The Chinese resolution had been originally put forward at the Fourth Session of the U.N. General Assembly in 1949; it declared that the USSR had, by aiding the Chinese Communists, violated the U.N. Charter and the Sino-Soviet Treaty of August 14, 1945, and it urged all member states to avoid giving the Chinese Communists any military or economic aid, to withhold recognition from the Communist regime, and to respect the political independence and territorial and administrative integrity of China. For the text of the original resolution, together with related documentation, see *Foreign Relations*, 1949, vol. II, pp. 144 ff. On December 8, 1949, the General Assembly referred the item to its Interim Committee for study; on December 1, 1950, the Assembly instructed the Interim Committee to continue inquiry on the question. On November 13, 1951, the Assembly decided to include the item in the agenda of its Sixth Session and referred the item to the First Committee for consideration and report.

The Secretary agreed as to the advisability of dropping sections 2, 3 and 4 from the substantive part of the resolution for the reasons already given by Dr. Tsiang. With respect to Part 1, the Secretary underlined the fundamental importance of furnishing convincing evidence of Soviet violations of the pact, pointing out that the General Assembly could not very well be expected to take action solely on the basis of unsupported charges. If satisfactory evidence were forthcoming, the American Delegation would support a revised resolution along the lines proposed by Dr. Tsiang.

In order that Dr. Tsiang could keep the U.S. Delegation informed of further developments, it was agreed that Ambassador Key should place him in touch with those members of the Delegation principally concerned with the Sino-Soviet item.

*Note*

Following his interview with the Secretary, Dr. Tsiang observed to Ambassador Key that while personally he was convinced that the only way in which to obtain effective support from the General Assembly for the resolution was to eliminate from the latter all but section 1 and to "forget" about the other sections, he was experiencing considerable difficulty in bringing around certain members of his delegation to this viewpoint, some of whom were clinging stubbornly to the idea that the original resolution should remain unaltered. He felt that his talk with the Secretary would strengthen his hands in dealing with these "die hards".[2]

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[2] At the 502d meeting of the First Committee on January 26, 1952, the Chinese Representative submitted a draft resolution whereby the General Assembly would determine that the USSR had violated the Sino-Soviet Treaty of August 14, 1945; no recommendations for action by member states were included. At the 506th meeting on January 29, the Chinese draft resolution, as modified by an amendment submitted by the Thai Representative, was adopted by 24 votes to 9, with 25 abstentions; for text of the resolution as approved by the First Committee, together with the text of the Chinese draft resolution, see U.N. document A/2098. On February 1, 1952, at its 369th plenary meeting, the General Assembly adopted the resolution submitted by the First Committee as Resolution 505(VI); for the text, see United Nations, *Official Records of the General Assembly, Sixth Session, Resolutions* (A/2119), p. 4.

**Secretary's Memoranda : Lot 53 D 444**

### *Memorandum of Conversation, by Edwin A. Plitt, Adviser to the United States Delegation to the United Nations General Assembly*

SECRET [PARIS,] November 19, 1951.

Subject: Possibility of Israel Establishing a Legation at Peiping

Participants: The Secretary
His Excellency M. Moshe Sharett, Israeli Minister of Foreign Affairs

During Mr. Sharett's conversation today with the Secretary on other matters[1] he at one point said that he wished to communicate something to him in strictist confidence and explained that it had been suggested to Israel from American sources that it would be helpful if Israel were to set up a legation in Peiping. Mr. Sharett alluded somewhat vaguely to United States official quarters in this respect and said that Israel was giving very careful thought to it. He added that if the establishment of a legation took place, he felt that it might be of much help to the Western cause, of which Israel feels itself an organic part. He reiterated what he had indicated in another part of his conversation, viz: "Russia speaks to Israel but not to the United States". He then repeated his previous assurance to the Secretary, not to be concerned over what Israel does, indicating that it would be for the common good. The Secretary made no comment.

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[1] For a record of the conversation, see vol. v, p. 935.

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**601.84A93/11-2151 : Telegram**

### *The Acting Secretary of State to the Embassy in France*

SECRET WASHINGTON, November 21, 1951—7:11 p. m.

3100. Since appears Sharett intended invite our comment by informing Secy in confidence re possible estab Israel Leg Peiping and particularly since Sharett implies some US official encouragement this proposed step, we believe it important Secy inform him[1] that, far from encouraging such move, we for our part believe it wld be most inappropriate at time when Chinese Communists engaged active hostilities against UN for any UN member to recognize Communist China or, if recognition already extended, to proceed estab Leg and exchange reps. Furthermore, such action might run counter to spirit GA Res

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[1] Secretary Acheson left Paris on the morning of November 23; telegram Delga 355 from Paris, November 24, stated that Plitt would call on Sharett to convey the substance of the Department's message (320/11-2451).

Feb 1 finding Communist China an aggressor and calling on all states and auths to refrain from giving any assistance to aggressor in Korea. Estab Leg in Peiping by Israel this time might be considered as moral support for Communist regime and as such cld be construed as assistance.

FYI Dept unable identify "stateside official quarters" and doubts any US official encouraged Sharett as intimated.

WEBB

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793B.00/11-2651 : Telegram

*The Ambassador in India (Bowles) to the Secretary of State*

TOP SECRET NEW DELHI, November 26, 1951—7 p. m.

1872. Re Embtel 1533, October 30. MEA FonSec Menon informed Steere he had written Dayal Ind pol officer Gangtok re question asylum and had reply dated November 20 from which he supplied fol extract:

[Here follows the text of the extract.]

Based on foregoing info and previous convs with Ind officials Emb believes that following Chi Commie invasion Tib October 50 GOI may have been willing accord DL asylum. However, it now seems apparent that GOI has taken no step in recent months to make known its attitude to Tibet in clear terms. For example, in July during critical days preceding DL's decision return Lhasa, Dayal informed Shakabpa he had no instructions from GOI re asylum (Embtel 61, July 19).[1] Perhaps GOI later sent Dayal instructions. Emb believes however they were so worded that Ind rep felt unable take initiative in making Ind attitude known to Tib. Dayal's remarks in letter re repudiation and asylum seem support this conclusion.

Ind reps Yatung and Lhasa have probably taken no action for same reason.

With respect Dayal's indication GOI had informed CPG re asylum GOI may have spoken along these lines immed fol Chi Commie invasion Tib in effort help Tib and delay Chi Commies. It seems unlikely, however, Panikkar reiterated Ind view fol conclusions Sino-Tib agreement last May. In any event, even if Tibs were aware of this report they probably discounted it in view generally negative character Ind policy toward Tib especially Ind silence re asylum.

Sent Dept 1872, rptd Calcutta 167.

BOWLES

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[1] The reference is apparently to telegram 61 from Calcutta, July 19, 1951, not printed; see footnote 2, p. 1758.

793.10/11-2751

*The Chargé in the Republic of China (Rankin) to the Department of State*

SECRET TAIPEI, November 27, 1951.

No. 220

Ref: Taipei Despatch 204 of November 13, 1951[1]
Department's Telegram 391 of November 14, 1951[2]

Subject: Conversation With President Chiang Kai-shek on Budget and Financial Controls.

At 10:30 this morning I called on President Chiang Kai-shek in order to present Dr. Hubert G. Schenck, the new Chief of the ECA/China Mission. After an initial exchange of courtesies, the President asked Dr. Schenck what he considered to be the major problem here. Dr. Schenck referred the question to me, and I expressed the opinion that our major problem is to make the most effective use of all available resources, both Chinese and American, in developing our joint programs on Formosa. I said that I thought our resources this year would be adequate for the purpose, but that there would be various limiting factors, such as the availability of certain commodities and military equipment, which necessitate close and constant coordination and study if optimum results are to be obtained.

I then asked the President's opinion on the effectiveness of the Economic Stabilization Board, with particular reference to its new duties in the budgetary field. I remarked that giving the Board responsibility for studying and discussing all budgets, military and civilian, national and local, accomplishes the important function of centralizing and correlating all basic information on government finances before it is transmitted to the Executive Yuan. I expressed the opinion that the coordinated budget planning thus provided for would be most valuable in preserving economic stability and obtaining maximum results from the funds expended.

The President replied that he was pleased by the way the Economic Stabilization Board is carrying out its budgetary responsibilities. In particular, he expressed appreciation of American help and advice in this connection. He hoped that we would help them find additional ways of saving money and thereby bring the budget into balance.

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[1] See footnotes 1 and 2 to telegram 563, p. 1841.

[2] The reference telegram, not printed, suggested that when Rankin introduced Schenck to the Generalissimo he should prepare a memorandum of the conversation, including the latter's remarks on the arrangements for budgetary control, in order to record his approval (794A.5 MAP/10-3151).

I noted with gratification that the Economic Stabilization Board is to be supplied regularly with full information on current income and expenditures under all headings, including those of all Government-controlled enterprises. I thought that centralizing all available facts and figures in this way is essential to making the best use of all of our resources.

Finally I inquired as to what he had heard was being accomplished by General Chase's fiscal officers, who are acting in an advisory capacity to the Ministry of National Defense. The President replied that he had received no direct reports in this connection, but he knew that they were being very helpful in preparing the 1952 budget. He appreciated this assistance.

K. L. Rankin

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693.93B/12-351 : Telegram

### *The Ambassador in India (Bowles) to the Secretary of State*

SECRET New Delhi, December 3, 1951—4 p.m.

1955. Embtel 1745, Nov 15, rptd London 61 and Calcutta 159.[1] In further discussions with Haksar[2] on Tibet, today, he stated according GOI info there presently between 10 and 20,000 Chi Commie troops in Tibet and they now deploying strategic places throughout country. He said GOI had received repeated Chi Commie assurances of respect for present boundary and Commies in fact, observing frontiers scrupulously thus far. He justified entry and deployment Chi Commie forces on grounds they needed restore peace and order which Tibetans themselves unable accomplish.

In response query re status and future GOI "escort" forces now Gyantse and Yatung to protect trade routes to India, Haksar said these forces still there and Chi had not requested their withdrawal. But he indicated GOI forces wld have no legal basis for remaining Tibet once Chi Commies show capacity maintain order; and he plainly indicated GOI is prepared remove these forces if and when issue brought up by Chinese.

Sent Dept 1955, rptd info London 64, Calcutta 175.

Bowles

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[1] Telegram 1745 from New Delhi, not printed, reported that Haksar told Embassy officers that the Indian Government had received information from Lhasa confirming that the Dalai Lama had approved the Sino-Tibetan Agreement (693.93B/11-1551).

[2] S. N. Haksar, Joint Secretary and Controller General of Emigration in the Indian Ministry of External Affairs.

893B.24222/10-2751 : Airgram

*The Acting Secretary of State to the Consulate General at Calcutta*

CONFIDENTIAL WASHINGTON, December 3, 1951.

A-58. ReContel 221 October 27[1] and other messages Tibetan wool. Your views subject discussions with Treasury. On April 30 Treasury advised Collectors of Customs as follows:

"Tibet is not considered a part of China under the Foreign Assets Control Regulations, including Sec 500.808, except to the extent that it is occupied by Chinese Communist forces. Accordingly, merchandise of Tibetan origin should not be considered to be of Chinese origin under the provisions of Sec 500.808 provided you obtain from the importer (*a*) a statement signed by him to the effect that he has no cause to believe any of the following:

(1) That the merchandise involved has been in occupied Tibet since date of occupation or December 17, 1950, whichever was later;

(2) That it has been in China proper or in North Korea on or since December 17, 1950;

(3) That a designated national of China or North Korea has had any interest therein on or since December 17, 1950; and

(*b*) a similar statement signed by the person from whom he purchased the merchandise. In the absence of your being furnished such statements by the importer, merchandise of Tibetan origin should be considered by you to be of Chinese origin and subject to the provisions of Sec 500.808."

In view of above Treasury does not understand how its Regulations and above procedure are causing non-movement of bona fide non-Commie Tibetan wool exports to US. It is suggested that the Consulate General forward to the Department such specific evidence as may be available, other than the National City Bank complaint, indicating that the above procedure materially affects the movement of non-Communist Tibetan wool.

November 26 the GOI Consul General in New York City phoned the Department of Commerce, stating that GOI would like to obtain that Department's views on reasons for the non-purchase of Tibetan wool by US importers. It was agreed by State and Commerce that the Consul General should be fully briefed by Commerce, including a description of the current low level of activity in the US wool carpet industry and a summary of complaints from US importers against the high GOI levy on Tibetan wool exports. Since a report from the

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[1] See footnote 1, p. 1840.

Consul General probably will be received by the GOI soon, it is suggested that, at the discretion of the Principal Officer, the attention of appropriate officers of the GOI be invited informally to the apparent reluctance of US importers to purchase Tibetan wool at premium prices, attributable, in part, to the high GOI tax levy, which makes Tibetan wool less competitive in world markets. Any indication of willingness of the GOI to consider a reduction of its tax levy should be reported by telegram.

WEBB

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794A.00/11-151

*The Secretary of State to the Secretary of Defense (Lovett)*

SECRET WASHINGTON, December 7, 1951.

DEAR MR. SECRETARY: There are enclosed copies of the position paper on Formosa, to apply if there is an armistice in Korea, prepared for the Sixth Session of the General Assembly, which has been revised to take into account the comments of the Joint Chiefs of Staff in their memorandum of October 24, transmitted to the Department of State under cover of your letter of November 1.[1]

With respect to the possible submission of the views of the Joint Chiefs of Staff to the National Security Council for the information of the Members, the Department of State has noted that the memorandum of the Joint Chiefs of Staff is in the nature of a commentary on the position paper prepared for use of the United States Delegation to the Sixth Session of the General Assembly of the United Nations and that, accordingly, the memorandum of the Joint Chiefs of Staff in its present form could scarcely be circulated without circulating the position paper. This position paper has been prepared within the framework of existing national security policy, notably NSC 48/5, and consequently in the Department's view there is no reason to request the renewed consideration by the Council of the approved policy in the paper. However, should the Joint Chiefs of Staff desire to propose a re-examination by the National Security Council of U. S. policy with respect to Formosa, the Department would of course have no objection.

Sincerely yours,

For the Secretary of State:
JOHN D. HICKERSON
*Assistant Secretary of State for*
*United Nations Affairs*

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[1] For Lovett's letter of November 1 and the enclosed JCS memorandum of October 24, see p. 1841.

[Enclosure]

## *Position Paper Prepared in the Department of State*

SECRET [WASHINGTON,] November 21, 1951.

### FORMOSA

#### PROBLEM

To determine the United States position on Formosa in the Sixth General Assembly *assuming an armistice is concluded in Korea.*

#### UNITED STATES OBJECTIVE

The policy of the United States is to deny Formosa to any Chinese regime aligned with or dominated by the U.S.S.R. and expedite the strengthening of the defensive capabilities of Formosa. As appears below, no permanent disposition of Formosa which would be acceptable to the principal interested governments appears possible at this time. Our immediate objective therefore is to postpone the issue, and work so far as possible toward the development of an acceptable solution, keeping in mind the importance of maintaining the maximum possible support of other nations, particularly among the Asians.

#### RECOMMENDATIONS

1. The United States should oppose:

*a.* Any General Assembly move to link the Formosa question to the settlement of the Korean problem;
*b.* Any move to call a conference on Far Eastern problems (including Formosa), prior to a political settlement of the Korean problem.

2. The U.S. should make vigorous efforts to prevent the question of Formosa from being considered at the Sixth Session. Public discussion in present circumstances could only expose and underline the differences between us and our allies. We should inform other delegations, if questioned regarding our views, that while the armistice stopped hostilities, peace and security were not yet fully restored; in the circumstances it does not appear that a satisfactory permanent solution could be achieved at this time. The question could be reexamined when there is a political settlement in Korea or when the armistice had been in effect sufficient time to establish Chinese Communist good faith and intentions.

3. If it appears that despite our vigorous efforts a majority of the members of the General Assembly will insist on taking up the question of Formosa in one form or another it might be desirable to steer the consideration toward a proposal that the Assembly establish a special

commission to gather facts, hear interested parties including the inhabitants of Formosa, explore all possible solutions, and report to the General Assembly when done. If the situation outlined in this paragraph seems to be developing, the Delegation should consult the Department for further instructions.

### COMMENT

[Here follows a summary of United States public statements and developments in the United Nations, between June 27, 1950, and June 1951, regarding the disposition of Formosa.]

### DISCUSSION

*A. Possibilities of a Settlement Consonant with United States Policy Objectives.*

1. Formosa as part of "China".

Ethnic and historical factors support the proposition that Formosa should be part of China. President Roosevelt, Prime Minister Churchill and Generalissimo Chiang Kai-shek stated their intention in the Cairo Declaration that Formosa should be restored to the Republic of China. Division in the world community regarding the government which properly represents China complicates the implementation of this Declaration. In these circumstances the above solution would not adequately protect the United States security interests which require that Formosa be denied to a regime aligned with or dominated by the U.S.S.R.

2. Trusteeship or other forms of United Nations administration or supervision.

The trusteeship system was intended to apply to people not yet capable of self-government. The Formosans themselves may possibly favor United Nations administration perhaps on a temporary basis with a possibility to determine the final status by a plebiscite at a later date. The mainland Chinese and the National Government would probably oppose it. There is also serious doubt whether this arrangement would adequately safeguard the island against seizure by the Communists by subversion or invasion. In any event, Nationalist control of the island excludes this solution now.

3. An independent Formosa.

This would not be acceptable to the Chinese, whether non-Communist or Communist. An independent Formosa probably would require external military and economic support indefinitely.

4. Restoration to Japan.

The Japanese Peace Treaty divests Japan of its sovereignty over the island. This solution has accordingly been rejected.

5. Determination of the status of Formosa and the Formosans in a free plebiscite.

In a plebiscite which might be supervised by the United Nations, the Formosans might vote for any of the above alternatives 1–4. A free plebiscite would probably be impossible under present circumstances owing to the presence of Nationalist troops on the island and opposition by the National Government.

It appears that there is no *presently* achievable solution for the disposition of Formosa which will satisfy United States policy objectives. The unresolved question of ultimate control of China and many other fluid factors in Asia including the possibility of general hostilities in the Far East make it impossible at this time to define our position on the ultimate status of Formosa. On the other hand, a lapse of time may well clarify these factors.

*B. Possibilities for Maintaining a Satisfactory Short Term Position.*

Unlike the Korean question, where our position is supported by an important majority in the United Nations and where we are able to engage in negotiations without danger of isolation, our negotiating position on the Formosa problem is most difficult. We cannot agree to withdraw the Seventh Fleet under existing circumstances in view of the danger that the Chinese Communists would take over the island. We are equally unable to indicate that we agree that Formosa should ultimately become part of China since we do not know what Government will control China nor are we in position to support other proposals for the disposition of the island. Our military strength, particularly in the Far East, is still limited. Thus, our position leaves very little room for negotiation at this time.

On the other hand, after an armistice we may be faced with a pressure to have us agree to negotiations on Formosa, particularly if a "peace atmosphere" should develop in Paris at the Sixth Assembly. This pressure may come not only from the Asians, but also from our Western European friends who accepted our decision to neutralize the island at the most only as a temporary military expedient made necessary by the aggression in Korea. Those who will advocate negotiations will point to the fact that the United States itself, prior to the large scale Chinese intervention in Korea, placed the question of Formosa on the agenda of the Assembly; and that Secretary Acheson indicated in the Joint Senate Committee hearings the willingness of the United States to discuss Formosa when the fighting in Korea is terminated, and the aggressor ceases the defiance to the United Nations. Finally, the Communists will again press this question and probably renew the charges made in the Security Council and the Fifth Assembly that our action with respect to Formosa constitutes aggression.

Following an armistice we may agree to participate in a conference on a political settlement for Korea insisting that negotiations in this conference must be limited to Korea.

We would oppose the calling of a special conference to consider Far Eastern problems (including Formosa) until there is a political settlement of the Korean problem. At that time we may not oppose discussion of other Far Eastern problems in an appropriate conference in which all parties with interests in the various questions to be discussed would participate.

We should also make every effort to discourage consideration of the ultimate status of Formosa in the Sixth Assembly. As indicated above, no solution acceptable to us appears feasible in the present circumstances and public discussion would only expose the differences between us and our allies.

It is likely that our efforts to discourage the consideration of this question in the Sixth Assembly will be successful. However, it is possible that the question may be raised again in a more objectionable form such as in the context of the mission of the Seventh Fleet. Moreover, pressure may develop in the event of an armistice, for the above referred special conference on Far Eastern problems. In such circumstances, it may be desirable for the United States to initiate or support an exhaustive study in the Assembly of the broad question of the ultimate status of Formosa as an alternative to the moves mentioned above. Any substantive recommendations would be avoided pending the study.

*C. Mission of the Seventh Fleet.*

It is the policy of the United States (NSC 48/5) to continue the mission presently assigned to the Seventh Fleet, as long as required by United States security interests. In the light of this policy, an armistice in Korea itself would not so change the basic situation as to warrant terminating the present mission of the Fleet.

We are unable to foresee how long it will be necessary and advisable to continue this policy and we must therefore remain free to review it from time to time, in the light of changing circumstances.

Consequently, if the United Nations takes up the question of Formosa under present circumstances, on one hand we must avoid any move to force us to agree to withdraw the present mission of the Seventh Fleet. On the other hand we should not commit ourselves to maintain our neutralization policy for any specific period or indefinitely. We should not ask the United Nations to endorse the mission of the Seventh Fleet because, (*a*) such a request would probably not receive an adequate majority, (*b*) a United Nations endorsement would tie our hands if we should decide to lift the restrictions imposed upon the National Government by the present policy.

### *D. Proposal for study and inquiry.*

If in the circumstances indicated in recommendation 3, the question of Formosa comes up, the United States should endeavor to place emphasis on the need for a peaceful solution of the Formosa question in the interest of the international community and of the people of Formosa. We should say that the problem of ultimate status of Formosa required an extensive study as a question relating to the maintenance of international peace and security under Article 11 and requiring peaceful adjustment under Article 14, with full opportunity for ascertaining all pertinent acts, hearing all interested parties and considering all possible solutions. The General Assembly should appoint a Commission to study the problem in all of its aspects and report its findings at a later unspecified date.

1. Composition of the Commission.

In general in the commission the proportion of members recognizing the National Government should be roughly the same as obtains in the General Assembly, and the United States should be represented in it. However, it should be recognized that the problem of composition would raise a number of serious difficulties.

2. United States attitude on the Merits of the Formosa Problem.

In the Assembly we should make clear our conviction that in present circumstances the island should not be handed over to Communist China. We should point out, however, that in our view the problem of the ultimate status of Formosa should be explored by the Commission and that we have no specific solution in mind at this time. We should further state that in our view the purpose of the Commission is to bring out all relevant factors and provide a full exchange of views; and that we expect to formulate our position as the work of the Commission progresses. Beyond this we should indicate that the Commission should give consideration to all factors including the Chinese claim to Formosa, the well-being and wishes of the Formosans themselves, and the interests of the United Nations in promoting peace and security in the Western Pacific area. This interest of the United Nations embraces not only the need for a peaceful solution of this problem where use of force had been threatened; it necessitates taking into account such other factors as the past use of Formosa as a base for military aggression and the possible future use of it for this purpose.

3. Work of the Commission.

The scope and character of the study would be defined in the broadest possible terms and the Commission would have wide discretion in determining how far and in what direction it wishes to proceed. It would hear any person it desires. It may recommend some procedure for determining the selection of representatives of the Formosan people who would present the Formosan views to the Commission. It would report to the Assembly at such time as it will consider advisable.

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## *Editorial Note*

On December 8, 1951, Senator William F. Knowland of California released to the press the names of 32 United States nationals in prison on the China mainland, a list which Assistant Secretary Rusk had sent him at his request, on a confidential basis, with a covering letter of October 19, 1951 (293.1111/10-351). On the same day, the State Department made an oral announcement to the press, explaining why it had refrained from publicizing individual cases of Americans imprisoned or detained against their will in China and stating that it was making every effort to free those Americans but that it believed it inadvisable to make public all the steps it was taking. For the substance of the Department's statement, see the Department of State *Bulletin*, December 24, 1951, page 1014. The text of a letter from Under Secretary of State Webb to Senator Knowland, December 14, 1951, concerning Knowland's release of the names, and the text of Knowland's reply by telegram, December 21, 1951, may be found *ibid.*, January 7, 1952, pages 11-12, and *ibid.*, February 11, 1952, page 239.

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793.5/12-1151

## *The Chargé in the Republic of China (Rankin) to the Department of State*

SECRET TAIPEI, December 11, 1951.

No. 242

Ref: Embdes 8 of July 6, 1951, "Initial MAAG Recommendations Submitted to Generalissimo Chiang Kai-shek."
Army Attaché telegram TN 102 for G-2 November 26, 1951.
Army Attaché telegram AT 314 for G-2 November 26, 1951.
Army Attaché telegram AT 315 for G-2 November 26, 1951.[1]

Subject: The Political Department of the Ministry of National Defense.

An exchange of visits and communications has recently occurred between Chinese and American personnel concerned, with reference to the activities of the Political Department of the Ministry of National Defense. Accounts of these are enclosed with this despatch, as are the few local press accounts relating to this subject which have come to the attention of the Embassy so far.[3]

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[1] For the reference despatch, see p. 1730; the reference telegrams are not printed.

The interesting developments covered in the enclosures to this despatch primarily stem from the report (see first reference despatch) by Major General William C. Chase, Chief of the MAAG, dated June 15, 1951, and handed to Generalissimo Chiang Kai-shek a few days later. This report was in response to a request by the Generalissimo when General Chase first arrived in Taipei. Point 10 of this report stated, "There is, throughout the Armed Forces, a highly objectionable system of Political Commissars, that acts to penalize initiative and undermine the authority of commanders of all echelons." While the Generalissimo wrote to General Chase on June 27, 1951 that he agreed "in the main with your observations and recommendations", it soon became evident that he did not find himself in agreement with Point 10. The Generalissimo expressed appreciation for General Chase's frankness, however, and indicated that he was always ready to discuss in a frank and friendly manner any points of difference which may exist between the Chinese and American authorities. It will be seen from the series of enclosures that Lt. Gen. Chiang Ching-kuo has been equally receptive to frank discussion of the activities of the Political Department, which he directs.

General Chase and other American authorities concerned with the activities of the Political Department are by no means satisfied with the organization as it now exists. It is recognized that the Political Department serves some useful purposes—some of which are even indispensable, considering the comparatively low level of political maturity of the Chinese armed forces, and considering the ever-present possibility of the infiltration of subversive elements into the military establishment. The MAAG authorities have generally taken the position that there is no objection to political training as such, as long as it does not consume too much time, and as long as it does not introduce a separate chain of command within the military organizations, with the unfortunate results which that would entail. The approach so far has been based on the thesis that the Chinese authorities and their American advisers together can find a basis for modifying and improving the organization of the Political Department so that its objectionable features can be eliminated without affecting its useful activities.

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[3] For the text of one enclosure, see below; the other enclosures are not here printed. They consisted of reports by Major General Chase and Colonel Barrett of meetings on November 14, 17, and 19 with Lieutenant General Chiang Ching-kuo and other Chinese officers, a statement issued to the press on November 24 by Chiang Ching-kuo, and other press reports on the subject.

The problem of resolving Chinese and American differences in this matter has not been solved, but some tangible progress has been made. Lt. Col. Charles H. Barber of the MAAG has been assigned to work in the Political Department, at General Chiang's request; General Chiang has also invited Americans "to go out into the field to observe the (political) organization as it actually functions in the various services." The time which a soldier is required to devote to political training has been reduced from 25% to 10% of the total time given to all training activities.

In all fairness, it should be pointed out that the Chinese authorities do not consider their Political Officers to be the equivalent of "political commissars", nor do they call them by this name. The differences between the Communist and the Chinese Nationalist systems, from General Chiang Ching-kuo's point of view, are dealt with in Section VI of Enclosure No. 4.

With the exception of a few minor attempts to put words into General Chase's mouth, there has been no press treatment locally of the standpoint of American officials on this controversial subject. Chinese press treatment in Taipei up to the date of this despatch is included as Enclosures No. 6, 7 and 8.

K. L. RANKIN

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[Enclosure]

*Memorandum by the Chief of the Navy Section of the Military Assistance Advisory Group, Formosa (Beyerly) to the Chief of the Military Assistance Advisory Group, Formosa (Chase)*

SECRET TAIPEI, November 9, 1951.

Subj: Report of Visit with President Chiang Kai-shek.

At the first regularly scheduled weekly conference between the C-in-C Chinese Navy and Chief Navy Section MAAG Formosa on 2 November, after my return to Tso-Ying, the entire agenda was reserved for the Chief Navy Section, to talk about his recent trip to Washington. Among other things, I talked of the general impressions I had gained in Washington. In general, these impressions concerned the lack of sympathy toward a large scale aid program for the Chinese Navy and the bad publicity caused by controversial issues such as the Political Warfare Bureau. Upon completion, Admiral Kwei[3] stated that he would like for me to give those impressions to the President, because no one would tell him the truth.

Wednesday afternoon, 7 November I received a long-distance telephone call from Ali Shan mountain from General Hsiao Sin-ju Pu, Gimo's Aide, to the effect that the President wished to see me that night in Kaohsiung. Naturally I accepted the invitation, but later the meeting was postponed until 0800, 8 November, due to the late arrival of the President in Kaohsiung.

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[3] Vice Adm. Kwei Yung-ching, Commander in Chief of the Chinese Navy.

I was accompanied to the Beach House in Kaohsiung by Admiral Kwei and Captain Liu Ho Tu, the latter serving as interpreter.

The meeting was marked throughout by friendliness and receptiveness on the part of the Gimo. The meeting was opened with the usual greetings and well wishing, and then I proceeded with practically the same talk I had given to Admiral Kwei before. The following is an outline of what I talked about:

(*a*) Purpose of trip to Washington:

1. To familiarize myself with the workings of the vast MDAP organization.
2. To meet as many officers as possible who are responsible for formulating policies and principles of granting military aid.
3. To lay groundwork for justification of military aid which would be requested for the Chinese Navy.
4. To expedite the shipment of the most urgently needed training material and personnel.

(*b*) General Impressions:

1. Everyone seemed to be of the opinion the military aid program should be carried out on Formosa, but there was a lack of sympathy or enthusiasm for a large scale aid program. Officers were reluctant to approve anything but a most austere program for the Navy because they had serious doubts as to the capability of the Chinese to absorb and carry out a large scale program.
2. My opinion of the reason for this lack of sympathy is the many unfavorable reports heard about Formosa. Some of these reports are incomplete or inaccurate, but all of them stress the unfavorable side of controversial issues and never give due credit to favorable sides if there is such a side.

*a.* The most damaging and widespread of these controversial reports are those concerning the Political Warfare Bureau.

These reports indicate that the power and authority vested in the Political Warfare Officers encroach on the responsibility and authority of the CO's.

It is strongly felt in our Navy that the military command structure must be inviolate. The Commanders must have full authority to carry out their responsibilities. There must be no coercion, direct or indirect, by non-military or political observers. We feel that such a flaw in the command structure can jeopardize the fighting efficiency of an otherwise well constituted and well trained navy.

I am of the opinion that there exists a need for this organization in China, and although I don't know everything about it I am aware of some of its good points as well as bad. I don't believe we Americans would object to political training as such, as long as it doesn't consume too much time, and as long as it does not introduce a separate chain of command within the military organization.

I believe the members of MAAG and the Chinese can by mutual understanding and earnest cooperation find a basis for modifying and improving this organization so that no one would object to it, and so that it would still serve a useful purpose to China.

Upon being asked for a recommendation, I stated that I could not make an official recommendation without sending it thru General Chase. However, I stated that my recommendations to General Chase would be along this line: Within each organization of Navy, afloat and ashore, the duties presently carried out by members of the Political Warfare Bureau should be assigned to qualified Naval Officers already serving in those organizations. (The President seemed receptive to this idea and turned to Admiral Kwei and told him to take it up with Chiang Ching-kuo.)

*b.* Some people entertained doubt that we could carry out a successful training program while there were other groups such as TAG and Yuan Shan School carrying out concurrent programs whose aims could be directed along opposite lines.

I too have been opposed to these concurrent programs and I am pleased that TAG has been concluded and that Yuan Shan School will close shop at end of present class.

*c.* I also encountered officers who had the impression that ex-U.S. Navy material was being wantonly scrapped and sold.

All instances of scrapping of which I had become aware have been justified.

I will continue to advise the Chinese Navy in these matters in accordance with MND's request and General Chase's direction.

*d.* Everyone with whom I talked in Washington was pleased to hear that I am getting such splended cooperation from Admiral Kwei and to hear that we are achieving good results in our underway training program.

(*c*) The Navy Section MAAG and Chinese Navy will continue to carry out its aims:

1. Make all ships operational and ready for war as rapidly as possible.
2. Train Navy personnel in proper upkeep and maintenance procedures.
3. Improve organization.
4. Train Navy in principles of Naval Warfare.
5. Develop realistic expansion programs.

(*d*) Local Observations:

1. MND has all but eliminated fund allocated for ship repair. Not only should it be reinstated, but should also be increased to meet the increased repair work incident to ships becoming operational and to more extensive operations.
2. Government should reinstate rice allowance for Navy Yard and Shop Workers, otherwise the fund allocated for ship repair will suffer.

3. Food for officers and enlisted men on board ship should be further improved. Morale factor.

The President was very attentive to everything I had to say and after each part of conversation was interpreted into Chinese, his nods and brief comments seemed to indicate assent or agreement. Upon completion he thanked me for being frank with him.

Admiral Kwei and Liu Ho Tu were very enthusiastic as to the President's reaction. The Admiral stated that I had told the President things that no one ever had before. "Even the Premier can't talk like you did to him." They reiterated emphatically his favorable reaction.

The President did not make any inquiries as to the magnitude of aid program for Navy. No mention was made of number of ships promised.

I believe now is the time for MAAG to get together with Chiang Ching-kuo with the view of modifying the Political Warfare Bureau.

I. F. BEYERLY

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124.4735/12-1351

## *The Consul General at Hong Kong (McConaughy) to the Department of State*

CONFIDENTIAL
No. 1211

HONG KONG, December 13, 1951.

Subject: Gradual Drying Up of Information Sources on Communist China

During 1951 it has become steadily more difficult to obtain accurate, up-to-date and extensive information on Communist China from non-official sources. The reasons for this are briefly outlined below.

### *Decreased Flow of American and Foreign Nationals Out of China*

At the first of the year there was a large flow of Americans from Communst China running as high as 70 to 80 persons per month. This has now decreased to 16 persons during November. Furthermore, those coming out now have been under house arrest or otherwise isolated from Chinese friends for many months so that their information on recent developments is rather limited. Fairly large numbers of Europeans are still coming out of the mainland but they have also been isolated from Chinese, are generally less willing to talk to American officials and there is often a language problem.

### *New Travel Restrictions on Chinese*

Since the inauguration on February 15, 1951 of Chinese Communist travel restrictions on Chinese coming to Hong Kong and returning to the mainland, the movement of persons across the border of this Colony has been sharply restricted. With the development of the campaign against counter-revolutionaries and the agrarian reform movement there has been a steady trend toward stricter enforcement of these travel restrictions to prevent the departure from Communist China of persons whom the Communists might want to use as a target in either of these campaigns, and to forestall the entry into the mainland of enemy agents. Chinese from provinces other than Kwangtung find it particularly difficult to come to Hong Kong. Persons here who are in close touch with Kwangsi province, for example, report that the flow of refugees from that province has practically ceased. It was reported in the Hong Kong *Hsing Tao Jih Pao* for November 21 that issuance of exit or exit-reentry permits for the following types of persons in Kwangtung has been temporarily suspended: (1) students; (2) persons under police supervision or control; (3) landlords who have not yet refunded overcharged rents and interest to their tenants; (4) young shop assistants studying prescribed courses; (5) technical workers; (6) families of landlords; and (7) merchants who have not yet paid the taxes due. While the *Hsing Tao Jih Pao* is not a Communist paper, it leans heavily to the left and seems to have unusual access to information on Communist administrative measures, so that this report probably has some basis in fact.

It is apparently still possible for persons who have had no political connections or activities in the past, particularly women, to get permits to come to Hong Kong, but if the authorities have the slightest suspicion concerning the background of an applicant, he does not get his permit.

. . . . . . .

The Hong Kong government, concerned over the swollen population of the Colony and deteriorating economic conditions, has recently begun to require Hong Kong entry permits even from Cantonese who desire to enter the Colony. Formerly, although entry permits were required for Chinese from other parts of China, Cantonese were allowed to come in freely, provided they had re-entry permits issued by the Communist authorities.

A good measure of the extent to which these various restrictions have interfered with travel across the border of the Colony is the fact that the going rate for smuggling a person into Hong Kong, which was only HK$40 to HK$50 a year ago, is now reported to be anywhere from HK$700 to HK$1,000.

### *Increasing Difficulty of Getting Information from Chinese*

Even though there is still a small number of Chinese coming into the Colony from Communist China, it is more and more difficult to get from them useful information on mainland conditions.

In the first place the Chinese themselves are less able to report accurately on the real thinking and attitudes of people on the mainland because, under the unremitting pressure of Communist thought control methods, people are increasingly prone to conceal their real feelings and to avoid comment on possibly dangerous subjects.

Merchants who travel back and forth regularly are afraid to contact a foreigner in Hong Kong, particularly an American official, no matter how clandestinely the meeting may be arranged. They have a healthy respect for the Communist espionage system here, and there have been examples of merchants who have been interrogated closely on their return to China about their relations with the individuals whom the Communists knew they saw in Hong Kong.

Even refugees who have fled the mainland for good often have reservations about talking to Americans. They are not at all sure that Hong Kong may not some day be taken by the Communists and they hope that by remaining neutral and inconspicuous they will avoid some day being the object of reprisals. They realize they have no place to go should Hong King be attacked. There is also a prevalent feeling that United States policy is fickle and that the United States in the future may reach some accommodation with the Chinese Communists which would leave anti-Communist Chinese out on a limb. Therefore, they prefer not to identify themselves as anti-Communists even to the extent of giving information to American officials.

*Conclusions*

Although China's "bamboo curtain" has not become the "iron curtain" which exists in Eastern Europe, there has been a steady movement in that direction for the past year. First-hand reports on mainland conditions are fewer and less comprehensive and the reporting officer is forced to rely to a greater extent upon second or third-hand reports and the output of the official Communist press.

WALTER P. MCCONAUGHY

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**293.1111/9–651 : Telegram**

## *The Secretary of State to the Embassy in the Soviet Union*

SECRET WASHINGTON, December 13, 1951—3:15 p. m.

410. Urtel 397 Sept 6; Deptel 227 Sept 28 and subsequent Emb approach this subj.[1] Dept desires you see Gromyko, and leave with

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[1] For telegram 397, September 6, see p. 1798; telegram 227, September 28, not printed, instructed Ambassador Kirk that when he called on Vyshinsky prior to his return to the United States, he should again raise the subject of U.S. nationals in China (293.1111/9–651). Kirk reported his conversation with Vyshinsky in telegram 586, October 5, p. 1001.

him *aide-mémoire*, re treatment Amers by Chi Commie auths, stating no reply recd this Govt's msg delivered Vishinsky by Kirk Sept 4, that one Amer died in prison, one ill in prison died shortly after release[2] and this Govt feels deep anxiety re other Amers in view contd failure obtain satisfactory disposition these long-standing cases. If you perceive objection proposed action inform Dept soonest.

**Acheson**

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[2] Philip Cline.

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603.4193/12-1551 : Telegram

*The Ambassador in India (Bowles) to the Secretary of State*

CONFIDENTIAL PRIORITY NEW DELHI, December 15, 1951—3 p. m.

2122. Ref Embtel 2064, December 11, rptd London 65, Bern unnumbered, Moscow for info 3.[1]

FonSecy Menon asked Steere call today and read substance tel from Ind Chargé Kaul, Peiping, expressing view (shared by his Swiss colleague) that unwise any US statement to mention by name countries which had interceded with Commie Chi authorities on behalf US Natls. Kaul thought Chi Commies were beginning moderate attitude toward fon natls concerned. He also thought US statement now might result refusal Christmas amenities which Brit and Swiss reps were endeavoring secure. Finally he expressed view mention names countries interceding wld reduce their future influence on behalf fon natls and perhaps cause China take harsher attitude toward prisoners.

Menon indicated Bajpai and he inclined agree with Kaul and said GOI wld appreciate if no mention made of India in any US statement Dept considered necessary. Menon suggested we confine ref to intercession by fon reps Peiping to statement that "reps of several friendly fon powers had been asked to intercede." He also suggested Dept shld consider delaying statement until after Christmas in order not jeopardize Swiss, Brit efforts on behalf detained Amers.

Steere said he questioned Kaul's judgment that mention countries interceding US behalf wld reduce their future influence such matters; on contrary he thought Chi Commies might have more regard for fon views about mistreatment fon natls if friendly countries were prepared to let it be known they disapproved of such mistreatment. Menon, however, was not to be shaken from his request that no specific mention be made of Ind Govt in above connection.

**Bowles**

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[1] The reference telegram, not printed, reported that the Ambassador had given Bajpai the substance of the Department's telegram 1136, December 7, 1951, not printed, which instructed the Embassy to inform the Foreign Office that the Department might soon have to make public a general description of the efforts made by other powers in connection with U.S. nationals in China; Indian and Swiss help, in addition to that of the British, was to be particularly mentioned (603.4193/12-1551).

293.1111/12-1951 : Telegram

## *The Chargé in the Soviet Union (Cumming) to the Secretary of State*

SECRET Moscow, December 19, 1951—3 p. m.

1050. Re mytel 1021, December 14.[1] This afternoon gave Gromyko *aide-mémoire* re treatment Amers by Chi Commie authorities (Deptel 410, Dec 13). Gromyko said he could add nothing to what had been previously said by Vyshinsky; Sov Govt had no responsibility for US citizens in Chi; matter was solely one between US and Chi Peoples Govt; latter sitn not changed by fact US had no diplomatic rels Peking. With somewhat grimly humorous smile he added that as regards the Amer who was said to have died in prison "people could die in their beds or anywhere else". I commented that death in bed was normal; death in prison was not.

Cumming

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[1] The reference telegram stated that Cumming saw no objection to taking up with Gromyko the question of the treatment of Americans by the Chinese Communists (293.1111/12-1251).

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## *Editorial Note*

The text of NSC 118/2, "United States Objectives and Courses of Action in Korea," December 20, 1951, may be found on page 1382. Special Estimate 20, "The Probable Consequences of Certain Possible U.S. Courses of Action With Respect to Communist China and Korea," December 22, 1951, which included attached tabs dealing with Chinese Nationalist armed forces and with anti-Communist guerrillas in China, is not printed.

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693.949/12-2851 : Telegram

## *The Chargé in the Republic of China (Rankin) to the Secretary of State*

CONFIDENTIAL Taipei, December 28, 1951—5 p. m.

798. Re mytel 773, Dec 21[1] and Polit Sects Weeka 51-52.[2] FonMin told me today members FonOff Comite Legis Yuan extremely difficult in yesterday's secret meeting where they grilled him six hours re Jap treaty and related questions. He indicated continued confidence US wld not modify Formosa policy to detriment of Chi Govt and people

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[1] The reference telegram, not printed, reported that the Chinese Foreign Minister was anxious to learn whether or not the Japanese intended to conclude a bilateral treaty with the Chinese National Government (693.949/12-2151). For documentation on this subject, see vol. vi, Part 1, pp. 777 ff.

[2] The Weeka telegrams under reference, which consisted of summaries of developments in the Republic of China during the preceding weeks, are not printed.

of this island. However, he found himself in difficult position when forced admit he did not know what transpired between Yoshida and Rusk or Yoshida and Dulles in Toyko re proposed Chi-Jap Bilateral Treaty. Certain Yuan members regard this as further evidence of impending US deal with UK behind Chi Govt's back in effort appease ChiComs re Korea, etc.

FonMin expressed to me most earnestly his hope and belief US wld make no commitments affecting Chi in Truman–Churchill meeting[3] without full prior consultation with Chi Govt.[4]

RANKIN

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[3] British Prime Minister Winston Churchill was to visit Washington for meetings with President Truman in January 1952.

[4] Telegram 507 to Taipei, January 7, 1952, replied as follows: "FYI Dept sees no prospect that basic US policy and attitude toward Formosa will be modified either as result Churchill–Truman conversations or Korean cease-fire, if such eventuates." (693.949/12–2851)

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## UNITED STATES POLICY WITH REGARD TO RESTRICTION OF TRADE WITH NORTH KOREA AND MAINLAND CHINA; INJUNCTION OF UNITED NATIONS ECONOMIC SANCTIONS AGAINST NORTH KOREA AND THE PEOPLE'S REPUBLIC OF CHINA[1]

493.009/1–951

*Memorandum by the Officer in Charge of General Assembly Affairs in the Office of United Nations Political and Security Affairs (Popper)*[2]

SECRET [WASHINGTON,] January 9, 1951.

Subject: United Nations Action to Apply Economic Sanctions Against China

Late in December, the Under Secretary requested UNA to examine, with other bureaus, the possibilities for United Nations action to apply economic sanctions against Communist China pursuant to a suggestion made by Assistant Secretary Thorp.[3] While the subject has since been under general discussion, it is believed that the time has now arrived when draft instruction should be formulated for the use of the United States Representative on the Collective Measures

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[1] For previous documentation on this subject, see *Foreign Relations*, 1950, vol. VI, pp. 619 ff. For related documentation, see vol. I, pp. 993 ff.

[2] This memorandum was forwarded, with a covering memorandum of January 9 by Durward V. Sandifer, Deputy Assistant Secretary of State for United Nations Affairs, to representatives of nine areas of the Department of State with the request that they, or officers designated by them, attend a meeting on January 10 to discuss this subject (493.009/1–951).

[3] Willard L. Thorp was Assistant Secretary of State for Economic Affairs.

Committee[4] in the event that the Committee is asked to make recommendations to the General Assembly or to Member States on the application of sanctions against the Chinese Communists.

Any action taken by the General Assembly or by Members on recommendation of the Collective Measures Committee would presumably be analogous to that envisaged in Article 41 of the Charter dealing with the power of the Security Council to call upon Members of the United Nations for measures such as the complete or partial interruption of economic relations and rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations.

It is probable that if the Collective Measures Committee considers the matter, it will devote most of its attention to the question of economic sanctions. The United States Representative on the Collective Measures Committee should be given instructions detailing the types of multilateral economic measures, if any, which we consider appropriate to recommend in the circumstances and should be supplied with factual material which will enable him to press for the action desired by the United States.

It is therefore proposed that, at a meeting to be held in the office of Mr. Sandifer (Room 6115 NS) on Wednesday, January 10 at 3:00 p. m., a working group be established for the preparation of the various sections of the documentation needed by the United States Representative. It is believed that studies should be prepared on a list of questions such as the following:

1. Should the United States Representative press for a recommendation that Members completely interrupt all trade and communications with China?
2. If not, should he seek: (*a*) a complete embargo on exports to China, or (*b*) a selective embargo covering only materials of particular importance to the maintenance of Chinese war potential?
3. If the latter, what products should be included?
4. What effect would an embargo, either total or partial, have upon: (*a*) Chinese economy as a whole, or (*b*) Chinese war potential?
5. Which suppliers of the products included in a selective embargo would need to cooperate in order to produce a sufficient effect on Chinese potential to make such an enterprise worthwhile?
6. Assuming the effective participation of United Nations Members in the embargo, would any Member suffer appreciable economic losses from its application? Would it be possible to compensate any Member, or such areas as Hongkong and Japan, for losses which they suffered?

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[4] The United States Representative to the United Nations, Warren Austin, was the U.S. Representative on the Collective Measures Committee.

7. What techniques of control should be recommended by the Collective Measures Committee: The imposition of licensing and other export controls by supplying countries, the freezing of funds, control of shipping, naval blockade, other measures?

8. Would an embargo on the importation of Chinese products by United Nations Members seriously affect the Chinese economy as a whole? To what extent would it deprive United Nations Members of strategic materials?

9. If China should prevent the exportation of these strategic materials in retaliation for sanctions applied by United Nations Members, how serious would the effects be in the free world?

10. Aside from action in the field of trade, are there any possibilities for effective action against China through interruption of communications and transport between China and United Nations Members?

11. Would any special United States legislation be necessary for action on the subject matter covered in the previous questions?

12. Would steps along the lines suggested above have any appreciable consequences upon the war economy of the Soviet bloc?[6]

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[6] For text of a draft position paper of February 12 as prepared by the working group, see the attachment to Mr. Allen's memorandum of February 15, p. 1914.

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493.579/1-1751

## *Memorandum of Conversation, by the Officer in Charge of Economic Affairs in the Office of Chinese Affairs (Barnett)*

[WASHINGTON,] January 17, 1951.

Subject: Norwegian Vessel *Hoi Houw* at Bombay: Cargo Destined for China.

Participants: Mr. Hulley—BNA[1]
Mr. Rogers—BNA[2]
Mr. Aars—First Secretary, Norwegian Embassy
Mr. Barnett—CA

Mr. Aars, First Secretary of the Norwegian Embassy called today at Mr. Hulley's office at the latter's request. Mr. Hulley said that the Department was concerned over certain cargoes which it had been reported would be carried from Bombay to Communist China aboard a vessel of Norwegian registry. Mr. Hulley requested Mr. Barnett to set forth the details of the problem. Mr. Barnett stated that the Departments of Defense and Commerce had been, for some weeks, disturbed by the fact that there had been off-loaded at Bombay from two Isbrandtsen ships[3] certain commodities destined for Communist China which, they believed, should not be delivered, in view of the existing military situation, to Communist China. Intermingled in the cargo was a quantity of hydrochlorate from which "truth serum" is produced. The matter was taken up at a meeting of the President's Cabinet[4] and the Secretary of State undertook to use the diplomatic channel to frustrate this transshipment if possible. It had been believed earlier that the ship to haul the cargoes from Bombay to Communist China—direct or through Hong Kong—was of British registry. In consequence we called in the Counselor of the British Embassy,[5] presented our problem, and requested his cooperation in frustrating the transshipment.[6] We informed the British that what was involved in the case was not a violation of any then applicable United States laws, regulations, orders, or of agreed international policy. However, there was the strong possibility of adverse political repercussions within the United States were it to become known that a vessel of Allied registry was subverting our present purpose of desiring to prevent the cargo in question from falling into Chinese Communist hands, either by direct delivery or indirectly. Mr. Barnett said that today we received word from Bombay that the ship involved in the proposed transshipment to China was not of British, but of Norwegian registry.[7] We felt obliged, therefore, to request from the Norwegian Government the same cooperation asked from the British. Mr. Barnett supplied Mr. Aars with location, the name, ownership, and managers of the ship. Later, Mr. Rogers supplied Mr. Aars with information regarding the cargo. Mr. Aars stated that he would communicate these details and the Department's request to Oslo at once.

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[1] Benjamin M. Hulley, officer in charge of Northern European Affairs, Office of British Commonwealth and Northern European Affairs.

[2] Charles E. Rogers, country specialist, Office of British Commonwealth and Northern European Affairs.

[3] The *Flying Cloud* and the *Sir John Franklin*.

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[4] A memorandum of January 8 by Mr. Livingston T. Merchant, Deputy Assistant Secretary of State for Far Eastern Affairs, to the Secretary of State (not printed) noted that this problem had been raised with Mr. Acheson by the Secretary of Commerce, Charles Sawyer, at the Cabinet meeting of January 5 (493.119/1–851).

[5] Hubert A. Graves.

[6] Memorandum of conversation of January 8 with Mr. Graves, not printed (493.119/1–851).

[7] In telegram 241 to Bombay, December 31, 1950 (not printed), the Department of State had requested details with respect to the possible off-loading in Bombay of the cargo of the *Sir John Franklin* and the *Flying Cloud*. In reply, telegrams 359 and 361 from Bombay, January 17 (neither printed) reported that the China-destined cargo of the two Isbrandtsen vessels was being loaded on the *Hoi Houw*. It was further reported that, although the *Hoi Houw* flew the Norwegian flag, it had a Chinese crew. (911.534/1–1751)

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446G.119/1–1751 : Circular telegram

### *The Secretary of State to Certain Diplomatic and Consular Offices*[1]

SECRET WASHINGTON, January 17, 1951—6 p. m.

393. From Commerce.[2] As an interim measure the following policies, procedures and licensing criteria are established for processing of export license applications for Hong Kong and Macao including ship-

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[1] Sent to London, Paris (Excon), Hong Kong, and Singapore.

[2] Drafted by E. P. Walinsky of the Security Operations Division, Department of Commerce; cleared by Ashley G. Hope of the Office of Chinese Affairs.

ments from foreign sources in-transit through the U.S., and including both positive list and non-positive list items.

A. The Office of International Trade may approve cases where there is evidence indicating that the shipment will not be transshipped to any sub-group A destinations, and where the following criteria are met: (1) The item to be shipped is included on a list of permissible items of little or no strategic significance, approved by ACEP, except that OIT may deny or reduce particular shipments if the quantities appear excessive; or

(2) There is reasonable indication, such as requirements data and/or other official evidence (i.e., official representation by U.K. or Hong Kong authorities), that the shipment does not involve excessive quantities, stockpiling, industrial expansion, or other questionable security risks; and

(*a*) Is required to meet the minimum essential short-term needs of legitimate users for direct consumption in Hong Kong or Macao; or

(*b*) Is required for use in the processing in Hong Kong or Macao of goods for consumption in Hong Kong and Macao or for export to approved destinations; or

(*c*) Is for transshipment from Hong Kong or Macao to an approved ultimate destination.

B. In all other cases there shall be a presumption for denial, and OIT is authorized to take such action.

As soon as possible, list of permissible items, which will be subject to change, will be transmitted. [Commerce.]

ACHESON

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S/S Files: Lot 63 D 351: NSC 102

## *The Acting Executive Secretary of the National Security Council (Gleason) to the National Security Council*

SECRET
NSC 102

WASHINGTON, January 19, 1951.

### EXPORT CONTROL POLICY TOWARD THE SOVIET BLOC

References: A. NSC 94/1[1]
B. NSC 92/1[2]
C. NSC 91/1[3]

At the request of the Secretary of Commerce, his enclosed letter and attached report on the subject are submitted herewith for consideration at an early meeting of the National Security Council.

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[1] NSC 94/1, a report entitled "NSC Determinations Under Public Law 843, Section 1304 (The Cannon Amendment)," December 21, 1950, is printed in *Foreign Relations*, 1950, vol. IV, p. 249.

[2] NSC 92/1, a report entitled "The Position of the U.S. Regarding a Blockade of Trade with China," December 21, 1950, is not printed.

[3] NSC 91/1, a report entitled "East-West Trade," November 17, 1950, is printed in *Foreign Relations*, 1950, vol. IV, p. 227.

At the direction of the President, the Secretary of Agriculture,[4] the Secretary of Commerce and the Economic Cooperation Administrator[5] are being invited to participate with the Council, the Secretary of the Treasury[6] and the Director of Defense Mobilization[7] in the consideration of this report.

It is recommended that, if paragraphs 1 and 2 of the "Recommendation" in the enclosure are adopted, they be submitted to the President for consideration with the recommendation that he approve them and direct their implementation by all appropriate executive departments and agencies of the U.S. Government.[8]

S. EVERETT GLEASON

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[Enclosure]

*The Secretary of Commerce* (*Sawyer*) *to the Executive Secretary of the National Security Council* (*Lay*)

SECRET WASHINGTON, January 18, 1951.

DEAR MR. LAY: I am submitting the enclosed paper relating to export policy toward the Soviet Bloc for early consideration by the National Security Council. The recommendations in this paper have been discussed by the Advisory Committee on Export Policy. At the meeting of the Advisory Committee the representatives of the Departments of State and Treasury and of the Economic Cooperation Administration requested that the problem be reviewed by the NSC before action is taken.

The Department of Agriculture has requested that it be given an opportunity to participate in the discussion of this problem because of its responsibilities in the export field under the Defense Production Act and Executive Order No. 10161. I would suggest, therefore, that the Secretary of Agriculture be invited to participate in the Council's discussion of this paper.

Sincerely yours, CHARLES SAWYER

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[4] Charles F. Brannan.

[5] William C. Foster.

[6] John W. Snyder.

[7] Charles E. Wilson.

[8] NSC Action No. 443, taken by the National Security Council at its 84th meeting, February 21, 1951, with the President presiding, recorded discussion of this report, as well as of NSC 104 (extracts from which are printed on p. 1902), NSC 91/1, and accompanying memoranda. It also referred these documents to the Special Committee on East-West Trade for further study and revision in the light of the discussion at the meeting. (S/S Files: Lot 62 D 1: NSC Actions)

[Attachment]

### *Memorandum by the Secretary of Commerce (Sawyer) to the National Security Council*

SECRET [WASHINGTON,] January 17, 1951.

Subject: Export Control Policy Toward the Soviet Bloc

At the request of several members of the Advisory Committee on Export Policy, I am submitting the following problem for NSC review:

*The Problem*

In what way should U.S. export control policy toward the Soviet Bloc be revised to ensure that, in the new situation brought about by Chinese aggression in Korea, the Department of Commerce "exercises the necessary vigilance over exports from the standpoint of their significance to the national security" as required by the Export Control Act of 1949?

*Recommendation*

The Department of Commerce recommends that:

1. Validated export licenses should be required for the export of all commodities to Subgroup A destinations (Soviet Bloc).

2. U.S. export policy towards Subgroup A destinations (except China and Korea), including shipments from foreign sources intransit through the United States, should be as follows:

> (*a*) The Department of Commerce should deny all Positive List items.
>
> (*b*) The Office of International Trade should develop a Negative List of commodities, of little or no strategic significance, which may generally be approved where the quantities are not excessive.
>
> (*c*) There should be a presumption for denial of all items not on the Positive List or the Negative List.

*Comparison of Recommended with Present Policy*

1. Validated export licenses are required at present for the export of all commodities to Communist China and Communist-occupied Korea, and all applications for licenses to these areas are being denied, but licenses are not now required for the export of non-Positive List items to the U.S.S.R. and its European satellites. Recommendation 1 would permit pre-shipment screening of all exports to the Soviet Bloc.

2. The Positive List is composed of 1A items, 1B items, short supply items, and a few items which have not yet been assigned a strategic classification. Existing program determinations require the denial of only the 1A items to the Soviet Bloc in Europe. As a matter of licens-

ing practice no applications are now being approved for the export of any Positive List items to the Soviet Bloc. Recommendation 2(*a*) would confirm the *de facto* licensing practice on all Positive List items.

3. All non-Positive List commodities can now move freely to the Soviet Bloc, expect China and North Korea. Such items are of varied strategic significance, ranging from negligible significance to a strategic importance just below that of the items included in Class 1B. Recommendation 2(*b*) would select out of this field of presently uncontrolled commodities a group at the bottom of the strategic scale. It would permit these items of little or no strategic significance to continue to move to the Soviet Bloc, other than China and North Korea, except where the quantities appear excessive.

4. The above provisions leave a residual group of commodities which would be brought under control when for export to the Soviet Bloc; that is, items which are not on the Positive List but which do have more than "little or no strategic value". Recommendation 2(*c*) would in practice result in the denial of almost all export license applications to the Soviet Bloc for items in this group.

5. In summary, the substantive changes in U.S. export policy reflected in the recommendations are that: (*a*) the export of all non-Positive List items to the U.S.S.R. and its European satellites would be brought under pre-shipment review; (*b*) items of little or no strategic significance would continue to move to this area, except where quantities are excessive; (*c*) almost all other non-Positive List items would be denied to the area; and (*d*) the current practice of denying all Positive List items would be confirmed.

*Basis for Recommendation*

1. United States security export policy was based, until June 25, 1951 [*1950*], on the fundamental concept of avoiding substantial contribution to the war potential of the Soviet Bloc by a selective control of exports. The active military aggression, first by North Korea and next by China, has required U.S. export policy with respect to these areas to go beyond the mere avoidance of substantial contribution to war potential. In time of active hostility against U.S. forces, whether or not these forces are part of a larger frame of reference such as the U.N., great care must be exercised to prevent any export which in any way becomes useful to the armies which are taking American lives. In accord with this principle, all exports to North Korea were prohibited on June 28, and all licenses for export of all commodities have been denied to Communist China since shortly after the Chinese aggression in Korea. It is to be noted that this new principle is applicable regardless of its effects on U.S. imports of essential commodities from aggressor countries, for we cannot, in a period of active

hostilities, rely on strength obtained from the nations which are responsible for such hostilities.

2. The prohibition of U.S. exports to Communist China insures that, in the case of direct exports to that country, no U.S. commodities are augmenting the aggressive forces presently engaged against us. There is and can be, however, no assurance that commodities exported to the U.S.S.R. and its European satellities will not be transshipped to Communist China or be used to produce goods to be used against us in Korea. To avoid this danger the U.S. should bring under control all exports to the U.S.S.R. and its European satellites, and prevent the export to these countries of all commodities except those which have little or no strategic significance.

3. The military aggression by the Chinese Communists in Korea and the attitude taken toward this act by the U.S.S.R. and her European satellites indicate the possibility that military action by the European Soviet bloc countries might not be as distant as had been thought. In these circumstances the U.S. should not continue to ship to these countries commodities which would contribute even in small degree to their military potential. The prevention of such shipments can be accomplished much more promptly and effectively by extending the coverage of control to all commodities than by attempting to add commodities selectively to the list of controlled items. The process of selective addition is necessarily time consuming and fails to keep current with the development of new products.

4. The recommendation that all Positive List items should be denied results in little substantive change in present practice, but it is useful for administrative reasons. Instructions to licensing officers, and the framework of the control machinery, can be simplified and made more efficient by this proposed change.

*Discussion*

1. The above recommendations were discussed by the Advisory Committee on Export Policy on January 10, 1951. The original proposals by the Office of International Trade for a tighter export control policy toward the Soviet Bloc were made on December 18, 1950. The Department of Commerce recommendations were supported in the January 10 meeting by the Departments of Interior and Agriculture, and by CIA, AEC and NPA. The Department of Defense concurred in the proposal but would go further. It favored denial of all shipments to the Far Eastern U.S.S.R. Maritime Provinces; and favored the denial, rather than presumption for denial, of items not on the Negative List or the Positive List. The Departments of State and Treasury, and the ECA did not concur and requested NSC review.

2. The Department of State position was based on the following:

(*a*) The Department of State considers the proposal to represent in effect an embargo on U.S. exports to the Soviet Bloc; and it believes that, though the program in actual operation might allow certain commodities to move, the action would be interpreted both in the United States and abroad as an embargo.

(*b*) The Department of State therefore believes that the proposals raise questions of foreign policy which require detailed and careful consideration of all political effects before any action should be taken. Moreover, the matter is of such moment that a review by the National Security Council is required.

(*c*) In this connection the State Department believes that no action should be taken until it has had an opportunity to complete the studies of economic relations with the Soviet Bloc which were requested of the Department of State in the President's letter of December 28.[9]

(*d*) The State Department considers that present U.S. trade with the Soviet Bloc is of insignificant economic importance, while the political aspects of an embargo or a near embargo are of major significance. The State Department believes that, though the matter should be studied further before a final decision is made, the political disadvantages of an embargo move by the United States appear at present to outweigh the political advantages.

(*e*) The political disadvantages of the recommendations, as seen by State, include the possibility of retaliation by the Soviet Bloc and injury to our relations with our Western Allies. The United States has told Western European countries, in negotiations on the export control problem, that it did not favor all-out economic warfare. An embargo would be interpreted in Western Europe to mean that the United States considers war inevitable, and that the United States will press for the adoption of Western European export control policies to the economic detriment of that area.

3. The ECA concurred in State's position that the recommendations were of such importance as to require NSC review, and ECA also was opposed to the recommendations themselves. The substantive opposition was based on a belief that export controls are at present adequately adjusted to the requirements of U.S.S.R.–U.S. relations, and that a selective approach to export control is more effective and meaningful than the blanket control of all commodities. ECA has also stated that a widening of U.S. embargo toward the Soviet Bloc would raise difficulties in the administration of Section 117(*d*) of the ECA legislation. It is feared that financial assistance would have to be denied for the export of many commodities from the United States to Western Europe, where the U.S. embargoes such commodities to the Soviet Bloc and the recipient Western European country does not.

4. The Department of the Treasury expressed no substantive opposition to the proposals but felt that an NSC review was required.

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[9] For the text of this letter, see p. 1903.

Treasury stated that an extension of U.S. export controls toward the Soviet Bloc might, for the sake of consistency, require the imposition of a control of financial transactions between the U.S. and the Soviet Bloc.

5. Although it is possible that adoption of these proposals may evoke retaliatory measures by the Soviet Bloc against the U.S., such retaliation would not damage the U.S. materially. Both the U.S.S.R. and China already have taken measures of retaliation against the U.S. Further retaliatory action by these or other countries of the Soviet Bloc would not impair the U.S. economy. They might bring long run benefit, in fact, by giving a further stimulus to the development of alternative sources of supply.

6. It is by no means certain that the proposed change would, as claimed, have adverse effects on our relation with Western European Allies. Since the inception of the security export control policy, the United States has exercised stricter control than Western European countries. This principle has been recognized in recent international negotiations on the problem. Further, at the time of the invasion of South Korea, the United States embargo against exports to North Korea assisted in bringing about the application of stricter control by Western European countries over their export to Communist China. These controls, as later evidence demonstrated, were vitally needed, and the example shows that leadership by the United States in this field has had results of positive value.

7. The State Department's characterization of the proposed policy as an embargo is inaccurate. The recommendations leave the door open for continued trade with U.S.S.R. and its European satellites. Total U.S. exports to Soviet Eastern Europe in the first six months of 1950 amounted to $18,900,000 of which $8,000,000 was raw cotton, which is now subject to control and would not be exported to that area. The remaining exports, at the rate of $21,800,000 a year were mainly in agricultural commodities (notably tobacco), miscellaneous industrial equipment, chemicals, and medicinals. Presumably the Negative List would include a number of the agricultural products, including tobacco, and medicinals, but would exclude the industrial equipment and most chemicals. To the extent that the present trade comprises items of little or no strategic significance, it would be continued. Strategic items which are included in the present trade should, however, be discontinued.

8. Our European Allies need not be disturbed by the U.S. action if the U.S. fully explains to them the reasons why the policy is considered to be sound for the U.S., that it is not a complete embargo, and that it is not based on the conclusion that war is inevitable.

9. The view that selective export control is still adequate is not tenable in light of the armed aggression of the Soviet Bloc. Selective controls alone would permit substantial assistance by U.S. industry to the forces engaged in active hostilities against us.

10. The proposals do not, as suggested by the Department of Treasury, necessarily require the institution of financial controls against the whole Soviet Bloc. No financial controls have been exercised during a period when the export of all Positive List commodities was substantially discontinued. Whether or not financial controls should be applied is a separate question.

*Conclusions*

The above recommendations for a stricter U.S. export control policy toward the U.S.S.R. and its European satellites should be adopted immediately. The advantages to be gained by this policy are: (*a*) the discontinuance of indirect assistance by the United States through U.S.S.R. and its satellites to the Chinese Communist aggressors; (*b*) the discontinuance of other exports to the Soviet Bloc, other than China and North Korea, which are not now controlled but which may contribute to the military potential of that area; and (*c*) an improved and more realistic policy framework for the administration of controls over the export of Positive List items to the Soviet Bloc.

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**320.2-AC/1-2051 : Telegram**

### *The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, January 20, 1951—4 p. m.

643. Dept appreciates desire UK and other Dels obtain some indication our thinking re steps against China which we wld advocate in CMC, before they commit themselves to res condemning Chi Commies along lines Deptel 632, Jan 13.[1] While our examination this problem is not yet complete, fol tentative views are sufficiently crystallized for use in discussions with friendly Dels.

Action which CMC might recommend to GA falls under three gen headings.

1. *Military.*—From outset, US has consistently sought to prevent extension of conflict beyond borders of Korea, and UN Unified Command has refrained, under greatest provocation and at considerable cost to UN forces, from ordering attacks on Chi territory. US will continue to seek confinement of hostilities to Korea and in present

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[1] For the full text of this message, see p. 74.

circumstances wld not contemplate asking CMC to recommend any mil operations against Chi territory. Additional points re mil implications of proposed res have been transmitted in separate tel.

2. *Economic.*—We have ourselves applied complete embargo on trade with China. We wld wish to have CMC explore feasibility of application of economic sanctions by all other UN Members. We are aware that certain European, Middle Eastern and Asian countries, notably India and UK, will probably express strong objection to any effort impose full embargo, on political as well as economic grounds. We are therefore will to accept initially, in order preserve greatest possible degree of free world unity, recommendation that Members apply selective embargo on export to China of key items for use Chi Red Army and directly serving Chi warmaking potential. These items wld certainly include petroleum products, munitions, and equipment and commodities directly employed in production of munitions. Such a selective embargo is in our view an indispensable and irreducible minimum. It wld have comparatively little effect on the agrarian, largely self-sufficient economy of bulk of civilian China, but wld tend to hamper support and extension of Chi mil operations. It wld not appreciably increase burden on Western European suppliers, or cause them additional administrative difficulties. (FYI these suppliers are already applying export controls of this character against China without public announcement, as element of East-West trade restriction. These controls are known only to US, Canada, UK, Fr, Denmark, Italy, West Germany, Neth, Belgium, Luxemburg, and Norway, as participants in org for control of trade with Sov bloc, and shld not be mentioned to any other Dels.) Since selective embargo cld be recommended to Members within relatively short period, we cld start with that, leaving for subsequent study desirability and need of more complete trade embargo as now applied by US.

We do not wish to advocate stronger economic program at this time, even for bargaining purposes, as we believe foregoing considerations are valid reasons for limiting our position at this stage to minimum and pressing most strongly for it.

3. *Political.*—While in our opinion we wld be fully justified, in view of Chinese Commie conduct, in seeking a UN recommendation that Members who now recognize Chi Commies shd rupture diplomatic relations with them, we are not planning at present to apply pressure for such an intl political expression of condemnation because we realize this wld be a formal gesture not worth the strong pressure and resentments involved. We wld urge upon CMC that it recommend that Members which have not yet recognized Chi Commie regime shd not

recognize that regime, and that Member states which have not yet sent Ambs or Mins to Peiping shd not do so, as long as Chi aggression continues. (Pls discuss suggestion re Ambs and Mins first with UK Del and report reactions before raising with other Dels.) This wld provide sufficient non-Sov representation in China to handle free world interests; wld prevent Sovs from becoming sole channel of communication with outside world; and shd avoid strong adverse reaction from India, Sweden and UK which we wld anticipate if we sought complete diplomatic break.

We wld also assume that CMC wld recommend that Chi Commies not be seated in UN organs and not be permitted to participate as reps of Republic of China in UN activities. Together with this, we wld expect CMC to recommend that GA adopt declaration that UN and its Members wld not recognize legality any territorial change or political situation brought about as a consequence of Chi Commie aggression in Korea.

We recognize that any action along lines envisaged in preceding paras wld involve certain concomitant problems and difficulties which wld have to be worked out either in CMC or through diplomatic channels.

We believe program of foregoing type might hamper Chi mil preparations for future campaigns and increase drain on Sovs to supply Chi Red Army, and wld enable free world to exert continuing pressure on Chi Commies to change their policies and seek an accommodation with UN on acceptable terms. We are under no illusions that such a program will itself bring Chi Commies to their knees or noticeably affect Chi mil operations in Korea in near future. It is important not to underestimate moral effect of collective UN action to apply sanctions against Chi Commies, either in China, in rest of Sov bloc, or in outside world. Suggestions made in this tel are designed to maintain UN authority while preserving cohesion of forces working for collective security.

No commitment shd be made as to additional recommendations which we might wish to put before CMC in light of developing circumstances.[2]

Acheson

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[2] These instructions were supplemented in telegram 684 to New York, February 2, not printed, which suggested that the Mission not consult with other delegations on the subject of possible sanctions against Communist China until there had been opportunity for further consultations with the United Kingdom (320.2–AC/2–251). In telegram 689 to New York, February 6, not printed, the Department informed the Mission that it was initiating discussions with the British Embassy in Washington on February 7 with respect to a possible program of sanctions (320.2–AC/2–651).

611.93231/1-2651

## *The Department of State to Certain Diplomatic and Consular Offices*[1]

CONFIDENTIAL WASHINGTON, January 26, 1951.

### FOREIGN ASSETS CONTROL

The Department has been requested by the Treasury Department to transmit the following information. This information and the attached regulations should serve as a basis both for answering inquiries and for reporting to the Department any alleged violations of the regulations:

"Effective December 17, 1950, the Secretary of the Treasury, acting under the authority of section 5(*b*) of the Trading with the Enemy Act, as amended, issued the Foreign Assets Control Regulations, copies of which are transmitted herewith.[2] These Regulations block the United States assets of Communist China and North Korea and their nationals, prohibiting all transactions involving such assets unless Treasury Department licenses are obtained. The purpose of these controls is to prevent financial transactions by or with these areas which would be inimical to the interests of the United States.

"A series of general licenses was included as part of the Regulations which authorize certain harmless transactions which would otherwise be prohibited. Thus, individual Chinese and North Koreans in the United States and also in non-Communist areas abroad (termed the Authorized Trade Territory and defined in section 500.322 of the Regulations) will be able to use their assets in the United States unless they are acting on behalf of Communist China or North Korea, or have been in these countries on or since December 17, 1950. Likewise, the assets of business enterprises owned or controlled by such individuals are free from these blocking restrictions if the only Chinese or North Korean interest therein is that of such individuals. Among other general licenses are those authorizing payments into blocked accounts and authorizing payments out of such accounts for United States, state and municipal taxes. Transactions not covered by general licenses may be effected only under specific Treasury license. The Regulations provide that applications for such specific licenses must be filed with the Federal Reserve Bank of New York, on application forms obtainable from that institution.

"Under the Regulations, remittances may be made to persons in

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[1] Sent to 73 diplomatic missions and 56 consular posts.

[2] Not here printed.

China only in limited amounts for living expenses and on condition that the dollar amount of the remittance is credited to a blocked Chinese account in a United States bank. Exceptions may be made by the Treasury Department in hardship or other special cases.

"The Regulations permit imports from China and North Korea only if the exporter is willing to accept blocked dollars in payment. It should be noted that the Regulations are applicable to indirect importations from China and North Korea as well as to direct importations from those areas. Accordingly, a license is required in connection with any importation through a third country, including countries contiguous to the United States, if the merchandise being imported left China on or after December 17, 1950, or if on or after that date a person in China (except Formosa) or North Korea or a firm owned or controlled from those areas or any other designated national had an interest in the merchandise.

"The Regulations authorize payments from blocked accounts and other transactions incident to exports from the United States to China and North Korea provided the Department of Commerce issues an export license under the Export Control Act of 1949. However, as a practical matter, this authorization is inoperative because the Commerce Department's policy at present is not to license any exports to China or North Korea. Furthermore, under the Regulations, dollars may not be used to finance transactions between China or North Korea and third countries.

"It should be noted that the term 'national' as used in the Foreign Assets Control Regulations is not restricted to citizens of China or North Korea. As defined in the Regulations, the term 'national' includes all persons resident in Communist China and North Korea, as well as the governments thereof, and also persons acting for or on behalf of those countries. This last definition is broad enough to include even American citizens residing in the United States who are acting in a financial or commercial capacity here for the benefit of Communist China or North Korea. If the Foreign Assets Control is to be effective, it is essential that the Treasury Department be able to identify and block the accounts of persons acting commercially or financially as intermediaries or cloaks for blocked nationals."

Any information on violations, especially on cloaking activities in behalf of Communist China or North Korea by persons in other countries which might come to your attention should be reported promptly by official informal letter marked for the attention of the Office of Financial and Development Policy.

**493.009/1-3151 : Circular airgram**

## *The Secretary of State to Certain Diplomatic and Consular Offices*[1]

SECRET WASHINGTON, January 31, 1951—8:30 a.m.

(From Commerce and State)

*Export Controls*

As reported in previous circular communications, in view of developments in Korea, United States controls have been extended over all United States exports to Mainland China, Manchuria, Hong Kong and Macao. Regulations further require licensing of all goods of foreign origin destined for above countries which move intransit through the United States, or use foreign trade zones, or are manifested to the United States. The latter regulation also applies to *Positive List* goods of foreign origin to Sub-Group A, (excluding China and Manchuria). Pursuant to Defense Production Act of 1950, Commerce Transportation Authority first prohibited United States flagships and aircraft from transporting any Positive List commodity; any arms, ammunition, or implements of war; or any commodity controlled under Atomic Energy Act, whether or not of United States origin, to any Sub-Group A destination, Hong Kong or Macao. Subsequently, the latter regulation was extended to prohibit United States flagships or aircraft from going to any Chinese Communist port or from receiving or delivering any cargo known or believed to be destined for Communist China.

In view of the emergency situation and increased United States controls, it is desirable that the missions intensify attention to possible transshipment of United States goods through your area. Also, it should be noted that the foregoing regulations, particularly controls on intransit shipments through the United States, may lead to creation of new routes for shipment of strategic commodities to controlled destinations. Accordingly, you are requested to investigate and report on a continuing basis information regarding:

(1) Substantial increases of strategic commodities shipped from your area to China, Hong Kong, Macao, and Sub-Group A destinations.

(2) Substantial increases of strategic commodities shipped intransit through your area to China, Hong Kong, Macao, and Sub-Group A destinations, including shipments made through free ports and other intransit facilities in your area, such as bonded warehouses.

(3) Any United States flagships or planes handling shipments of strategic commodities from your area to controlled destinations men-

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[1] The file copy does not indicate to which posts this message was sent.

tioned in (1) or participating in intransit shipments of such commodities to your area with knowledge or reason to believe that the intended ultimate destination is a controlled destination.

(4) Any United States persons, firms, corporations, or affiliates, participating in shipments of strategic commodities from your area to China, Hong Kong, Macao, or Sub-Group A destinations, or in intransit shipments to your area which thereafter move to such controlled destinations.

(5) Any apparently new trade routes established for shipments to China, Hong Kong, Macao, and Sub-Group A destinations originating in or passing through your area, and if so, names of shipping or airlines using such new trade routes, description of such routes, and names of new intermediate destinations or intransit points utilized.

(6) State what informal facilities, governmental or private, available in your area for obtaining information of types described above. Include your views regarding the possibilities of cooperation with export control, customs, investigative, and enforcement officials of local government in your area.

(7) State your views regarding the possibility of local government in your area instituting comparable controls and curbing increases in traffic to controlled destinations originating in or passing through your area, including evaluation of effectiveness of such controls if instituted.

A preliminary report containing all presently available information concerning these subjects is desired at your earliest convenience. The preliminary report and all subsequent reports should bear the code and title 000B316—Shipments of Strategic Commodities.

The reporting of this information on a continuing basis is of particular importance because of the requirement of the Cannon Amendment to the Supplemental Appropriations Act of 1950, concerning which a separate instruction will go forward shortly to the appropriate missions. The Cannon Amendment, for your information, is as follows:

> "During any period in which the Armed Forces of the United States are actively engaged in hostilities while carrying out any decision of the Security Council of the United Nations, no economic or financial assistance shall be provided, out of any funds appropriated to carry out the purposes of the Economic Cooperation Act of 1948, as amended, or any other act to provide economic or financial assistance (other than military assistance) to foreign countries, to any country whose trade with the U.S.S.R. or any of its satellite countries (including Communist China and Communist North Korea) is found by the National Security Council to be contrary to the security interests of the United States".

ACHESON

493.009/2-851

### *Memorandum by the Secretary of the Navy (Matthews) to the Secretary of Defense (Marshall)*

TOP SECRET WASHINGTON, 2 February 1951.

Subject: Trans-shipment of China bound cargoes of Isbrandtsen ships *Flying Cloud* and *Sir John Franklin* via the Norwegian ship *Hoi Houw*

1. You will recall that in a memorandum of 2 January, 1951,[1] there was set forth the circumstances under which the cargoes of the Isbrandtsen ships *Flying Cloud* and *Sir John Franklin* were being off-loaded at Bombay. Briefly, these ships were transporting cargo, the delivery of which to Communist China would have been inimical to the security interests of the United States and in violation of the Department of Commerce Transportation Order No. 2. The Isbrandtsen Company, alleging that such action would facilitate the clearance of two ships then at Taku Bar, obtained the approval of the State and Commerce Departments to allow an exception to the Commerce Department order and permit unloading at Bombay. When it became known that the ships at Taku Bar were not jeopardized, and at your insistence by reason of the nature of the cargoes, the off-loading authority was revoked. About 6,000 tons of the cargo had been unloaded.

2. The Norwegian flag-ship *Hoi Houw* has loaded 4,000 tons of this cargo for trans-shipment to Hong Kong and is now en route Hong Kong with an estimated time of arrival of 8 February, 1951. When first reports of the *Hoi Houw* loading were received, the Department of State made representation to the Norwegian Government requesting that action be taken to deny shipment by a Norwegian flag vessel. The Norwegian Government subsequently reported to the Department of State that it was their understanding that the *Hoi Houw* had been chartered to the Jebsen Company of Hong Kong, who later chartered the vessel to the Isbrandtsen Company. The Isbrandtsen Company, in turn, sub-chartered it to the Bank of China, Bombay, for the lift in question. The Department of State further advises that the Treasury Department (Foreign Assets Control) has initiated an investigation of the Isbrandtsen Company's involvement in the transaction and the Consul General in Bombay has been directed to investigate at that end. The results of these investigations have not yet been received.

3. As previously reported, a substantial portion of the cargoes of the *Flying Cloud* and *Sir John Franklin*, in addition to 1,500 lbs. of the "truth drug" chloralhydrate, consisted of very large shipments of other drugs (on the order of 3,220,000 vials antibiotics; 8,200 lbs.

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[1] Not printed.

sulfa drugs; 127 drums DDT solution; and 45,000 lbs. aspirin and phenacetin). Recent intelligence reports indicate that typhus is reaching epidemic proportions among enemy units on the East coast and in the East Central area of Korea. A typhus epidemic without specific antibiotics and sulfa drugs for treatment will greatly reduce the effectiveness of the Communist forces. It is not improbable that the recent weakening of the Chinese Communist offensive action can be attributed, in part, to this condition.

4. It is strongly recommended that:

*a.* The Department of State continue to press the Norwegian Government to forbid the delivery of this cargo by a Norwegian flag ship.

*b.* In the event the investigations now in progress show that the Isbrandtsen Company figured in the charter of the *Hoi Houw* to the Bank of China, the Department of Commerce or the Attorney General[2] take such measures as may be practicable to block the delivery.

Francis P. Matthews

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[2] J. Howard McGrath.

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320/2–551 : Telegram

## *The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, February 5, 1951—5 p. m.

685. 1. Passage of US res[1] marks end of important phase of UN action to meet aggression in Korea and ushers in new phase concerning which Dept's present thinking is summarized below.

2. In recent weeks US has contended strongly that continuance of Chi Commie intervention despite reptd efforts for cease-fire required UN to reach conclusion that Chi Commies were engaged in aggression. We believed this was essential if UN effort in Korea were not

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[1] The United Nations General Assembly at its 327th plenary meeting on February 1, 1951 approved Resolution 498 (V) relating to the intervention of the Central People's Government of the People's Republic of China in Korea. For the full text of this resolution, see p. 150. In numbered paragraph 6 of the resolution, the Assembly requested "a Committee composed of the members of the Collective Measures Committee as a matter of urgency to consider additional measures to be employed to meet this aggression and to report thereon to the General Assembly." The Committee was authorized to defer its report if a Good Offices Committee also established by this resolution was able to make satisfactory progress toward bringing about a cessation of hostilities and the achievement of United Nations objectives in Korea by peaceful means.

The Additional Measures Committee was composed of the members of the Collective Measures Committee: Australia, Belgium, Brazil, Burma, Canada, Egypt, France, Mexico, the Philippines, Turkey, the United Kingdom, the United States, Venezuela, and Yugoslavia. The Committee held its first meeting on February 16, 1951, when it was informed that Burma and Yugoslavia had stated they would not serve on the Committee.

to become a tragic waste and if usefulness of UN itself were not to be virtually destroyed in security field.

3. Now that UN has taken decision to face up to fact of Chi Commie aggression, we desire in working out next steps to make every effort to maintain and enhance willing cooperation of peace-loving majority of UN Members. In particular, we shld stress our continued willingness to negotiate peaceful settlement of Korean conflict on basis UN principles and shld seek to convince our friends that our policies are based upon a desire to prevent extension of hostilities in FE.

4. We are not in position at this time to know whether it will be possible to stabilize military operations around 38th parallel and to look forward to an acceptable cease-fire and some relaxation, through efforts of Good Office Comite, of FE tensions. Great care shld be exercised to see that if this possibility exists, nothing is done at UN or elsewhere to destroy it.

5. In light these considerations, fol factors wld be important in our approach to work of Comite established in para 8 of GA Res:

(*a*) Creation of Comite gives UN new instrument for full and sober consideration of counter-measures, scaled to extent of Chi aggression, which will be designed to reduce China's present war-making capacity and increase cost of further aggressive acts in Korea or elsewhere. In this sense, very existence of Comite carries with it element of pressure on Chi Commies.

(*b*) Para 8 of US res as adopted clearly obligates us to allow proper scope for negotiations for peaceful settlement. The Comite's examination shld be carried forward with understanding that Comite may wish to defer its report if Good Offices Comite set up in Para 9 of GA res reports satisfactory progress in such negotiations.

(*c*) We see no advantage in forcing pace re Para 8 of US res at this time. Recent Dept, ECA and CIA consideration of China's vulnerability to external economic pressure supports proposition, that in applying additional economic sanctions against China overall restraining effect greater if most UN Members can agree apply selective embargo than if fewer Members, with other strongly dissenting, apply more comprehensive embargo. It is therefore important to concert our views with others as to timing and method of applying measures. You will recall that UK has particularly stressed need for advance consultation. In carrying forward conversations first with UK and later with others along lines set forth Deptel 643, Jan 20, any assumption that US has adopted rigid, preconceived views on subject of additional measures shld be avoided.

(*d*) In our view new Comite shld serve as a body in which suggestions re additional measures to be taken against Chi Commies can be examined in quiet and dispassionate atmosphere. We believe new Comite shld carry on its work in privacy and have so indicated to UK.

Acheson

320.2-AC/2-751 : Telegram

*The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET PRIORITY NEW YORK, February 7, 1951—11:31 a. m.

1122. Re work of *Ad Hoc* China CMC—UK and French views. Gross[1] and Ross[2] discussed with Jebb[3] and Coulson[4] at lunch yesterday (February 6) work of *Ad Hoc* China CMC in light Deptels 685, February 5, 680, February 2[5] and 643 January 20.

Department will recall that Gross discussed substance Deptel 643 with Jebb at time of receipt. Yesterday he reviewed contents this telegram in light general approach set forth Deptel 685. British initially revealed slight attitude suspicion that we might be wishing to force pace but this feeling we allayed without difficulty. General tone discussion was very cooperative and we feel laid basis for avoiding any serious differences while developing mutually acceptable program on basis close consultation.

Re military sanctions (paragraph 1, Deptel 643), there was no difference of view.

Re economic sanctions (paragraph 2, reftel) Jebb and Coulson personally did not appear to see any great difficulties so far as British themselves were concerned of selective embargo based as minimum on export controls already being applied by governments participating in control of trade with Soviet bloc. They were not, however, for moment in position to speak for UKG. In general, they raised question extent to which even such selective embargo might be expected to rally support of large majority of Assembly. We ventured no dogmatic prediction on this point but expressed confidence that once mutually acceptable program worked out with British it seemed reasonable to suppose that through out joint efforts satisfactory majority support of Assembly could be achieved. In particular Jebb expressed some curiosity re our views on specific items. We indicated our understanding Department was studying whole matter broadly but we did not yet have detailed instructions on specific items.

Re political sanctions (paragraph 3, reftel), British were noncommittal to points reviewed by Gross. They dismissed their position in Postal Union on grounds this is purely technical body. We had impression differences of principle might more readily arise in this area than in economic or military areas.

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[1] Ernest A. Gross, Deputy U.S. Representative at the United Nations.

[2] John C. Ross, Deputy U.S. Representative to the Security Council and member of the U.S. Delegation to the General Assembly.

[3] Sir Gladwyn Jebb, United Kingdom Representative to the United Nations.

[4] John Eltringham Coulson, Deputy United Kingdom Representative to the United Nations.

[5] Not printed; it contained the Department's ideas with respect to organization and procedure for the committee (320/2-251).

We achieved very close community of views re election of officers and committee procedure in initial stages. Without particularly urging our own views, British very readily fell in with idea of electing Muniz[6] and Shann,[7] respectively, as chairman and *rapporteur*. . . . We outlined our thinking that when committee meets, presumably next week, purpose should be not to get involved in discussion and debate but to proceed immediately to election of officers who would be requested by committee with assistance of secretariat to work out and report plan of work to committee. We had in mind that we and British would develop our ideas on such work plan which would be communicated to friendly and wholly trustworthy bureau. In this way, neither we nor British would be under necessity of putting forward and staking our prestige to any particular plan. It was our concept further that following approval of work plan by committee, bureau would again proceed with assistance of secretariat in development of studies contemplated by work plan. In this later stage, we would also in close consultation and cooperation with British assist the bureau.

Jebb raised question of consultation with French and we agreed with him, of course, that we would through this process wish to work in very close consultation with French as with British.

During course of discussion, Gross took occasion to make clear to Jebb that Department, including Secretary, thought his explanation of vote on US resolution in Assembly was not well calculated to develop program on cooperative basis we all wanted. Jebb said he had had commendatory telegram from Foreign Office. He also said that he did not mean nor had he said that *Ad Hoc* Committee should delay consideration of additional measures but he thought he had indicated clearly his feeling that the "Assembly" should not at this time consider additional measures.

In afternoon Parodi,[8] who visited Lake Success, expressed interest in our ideas and Gross reviewed with him and Chauvel[9] our thinking. As in case of British, no important differences emerged in this discussion. General attitude of Parodi in particular was similar to that of British in sense of wanting to move slowly and on fully consultative basis.

Parodi agreed with suggestion made by Chauvel that *Ad Hoc* Committee should not consider political sanctions since they did not involve "technical" matters but that this subject should be left to main committee.

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[6] João Carlos Muniz, Permanent Representative of Brazil to the United Nations.
[7] K.C.O. Shann, Acting Head of the Australian Mission to the United Nations.
[8] Alexandre Parodi, Secretary-General, French Ministry of Foreign Affairs.
[9] Jean Chauvel, Permanent Representative of France to the United Nations.

AUSTIN

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493.009/2–851

*The Secretary of State to the Deputy Secretary of Defense (Lovett)*[1]

TOP SECRET WASHINGTON, February 8, 1951.

DEAR BOB: This is to report on our efforts to frustrate delivery to Communist China of the China bound cargoes of the Isbrandtsen ships *Flying Cloud* and *Sir John Franklin* now aboard the Norwegian ship *Hoi Houw*.

On Friday, February 2, Mr. Merchant put the British Embassy on notice that we hoped that they could cooperate in frustrating delivery of the cargoes.[2] On Saturday the Counselor of the British Embassy, accompanied by the Commercial Counselor[3] and a Hong Kong Government representative[4] recently arrived in Washington, called at Merchant's office where our problem, and particularly its military aspect as set forth in Secretary Matthews' memorandum of February 2, was put to the British fully and frankly.[5] They were sympathetic, but maintained that they had little leverage in the operation since the owner of the cargo was the Chinese Communist Bank of China, the cargo itself of United States origin, and ship of Norwegian registry. We explored various methods by which the British might frustrate delivery, bearing in mind that only if the *Hoi Houw* enters British territorial waters at Singapore or Hong Kong will the British be in a position to apply pressure at all. The British Embassy has referred to London for urgent consideration the question of what steps can be taken if the ship enters British jurisdiction.

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[1] Drafted by Mr. Robert W. Barnett.

[2] Memorandum of conversation not printed.

[3] R. Burns.

[4] Arthur Grenfell Clarke, Commissioner of Industry and Trade, Government of Hong Kong. In a memorandum of February 9 (not printed) addressed to Mr. O. Edmund Clubb, Director of the Office of Chinese Affairs, Mr. Merchant suggested that in view of the great importance the Department of State attached to stopping the import by Mainland China of any medicines useful in treating typhus, the Department of Commerce take advantage of Mr. Clarke's presence in Washington to discuss the problem. A handwritten note on this memorandum by Mr. Clubb, also dated February 9, read as follows: "L[ivingston] T. M[erchant] & I agree that it would be impolitic to act in a way which would attract undue attention to restrictive measures on antibiotics when typhus reported epidemic in Korea." (493.119/2–751)

[5] Attached memorandum of this conversation of February 3 not printed.

Following our talk with the British, we concluded that the most practical way of preventing the cargoes reaching the Chinese Communists was to have them off-loaded in Japan. In consequence, prior to talking with the Norwegians, who were best able to cooperate in this project, we obtained from Admiral Thach of the Navy Department a firm assurance that if the *Hoi Houw* could be diverted to a Japanese port authorities in Japan would be prepared to off-load the cargoes and make compensation to their owner.[6] Admiral Thach said that the Department of Defense, unfortunately, could not undertake to indemnify the Norwegian master or owner for possible court costs. We informed him that this meant that those costs would be borne by the Norwegians, if they arose, and that this fact might cause them to refuse to take the action we desire, particularly since there are other considerations which could make them reluctant to cooperate. For example, there is little doubt that failure of the Norwegian master to take the *Hoi Houw*, as contracted, to Hong Kong would invite litigation which, if unsatisfactory, would expose the twenty-five odd Norwegian vessels still in the China trade to reprisal threats. Admiral Thach undertook to bring to the attention of Secretary Matthews the restriction upon use of the diplomatic channel which our inability to assure indemnification presented.

Having reached these preliminary understandings with Admiral Thach, we called in a representative of the Norwegian Embassy on Saturday afternoon[7] and put to him the problem previously discussed with the British, suggesting, this time, that the Norwegian Government despatch an instruction to the Norwegian ship master to put in at a Japanese port. We gave assurance that authorities in Japan would unload and pay for the cargo. The Norwegian Embassy has undertaken to communicate our request to Oslo at once for urgent reply. The initial reaction of the Embassy representative was that it was unlikely that Oslo could take the action so desired, unless full indemnification of the ship owner could be assured.

I am attaching memoranda of conversation which enlarge upon this outline of the steps we have taken.

I think I should add that the possibility of involvement by the Isbrandtsen Company in the on-shipment from Bombay has been investigated by the Treasury Department which has informed us that its inquiry showed no evidence of involvement and that Mr. Isbrandtsen[8] denies any involvement whatever.

Sincerely yours,

DEAN ACHESON

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[6] Attached memorandum of this conversation of February 3 between Mr. Barnett and Adm. James H. Thach, Jr., not printed.

[7] Attached memorandum of conversation of February 3 between Messrs. Benjamin M. Hulley and Knut B. Aars, not printed.

[8] Hans J. Isbrandtsen, President of the Isbrandtsen Company, Inc.

446G.119/2-951

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Deputy Under Secretary of State (Matthews)*

SECRET [WASHINGTON,] February 9, 1951.

Subject: United Kingdom *Aide-Mémoire* [1] Concerning United States Licensing Policy for Exports to Hong Kong

*Problem:*

The British Embassy has presented an *aide-mémoire* to the Department in which it is recommended that the United States give urgent consideration to a licensing policy proposed by the British for United States exports to Hong Kong. Assurances have been given by the British that the Government of Hong Kong has instituted all measures of export control and supervision of domestic uses of commodities that it considers feasible to guard against the transshipment of United States exports through Hong Kong to Communist China either before or after fabrication in Hong Kong. The *aide-mémoire* points out, however, that this control cannot be made completely water-tight due to the peculiar economy of Hong Kong. The problem is to determine whether, in the light of the assurances given by the British and in view of the importance attached by the British to the continued existence of Hong Kong without undue economic dislocation as part of the Free World, the Department's policy should be to establish a liberal, automatic licensing procedure which would assure the fulfillment of Hong Kong's legitimate needs from the United States.

*Background:*

On December 16, 1950, the United States Government announced extensive controls over the economic relationships between the United States and Communist China. These controls are intended to deprive Communst China of access to United States goods and to financial resources within United States jurisdiction in view of the commitment of Chinese resources in the unprovoked aggressive activities in Korea of the Chinese Communist regime.

Because of the geographic position of Hong Kong and Macao it was felt necessary to include these two Governments within the regulations established for control of trade to China. These regulations required that licenses be obtained for all shipments to these areas. The administrative decision to deny all license applications, however, was not applied to Hong Kong and Macao. When the system of controls was announced it immediately caused concern in Hong Kong since the British Crown colony felt that its normal supply of materials from the United States might be endangered. The Government of Hong Kong immediately informed the United States Consul General[2] and the Colonial Office in London of this concern.

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[1] The text of the British *aide-mémoire*, dated February 1, 1951, not printed, is in Department of State file 446G.119/2-151.

Immediately thereafter several discussions were held in the Advisory Committee on Export Policy concerning the licensing policy which should be applied to United States exports to Hong Kong. Under the interim licensing policy (attached as Annex A) which was established January 5, Department of Commerce has been approving a very limited number of licenses for the export of commodities from this country to Hong Kong.[3] It was recognized, in a meeting of State Department and Commerce Department officials with representatives of the British Embassy, that an attempt should be made to obtain import requirements data and such assurances of effective controls over transshipments from the Governments of the United Kingdom and Hong Kong as would permit a liberal and largely automatic licensing policy to be pursued by the Department of Commerce.

Further discussions have been carried on between officers of the Department and representatives of the British Embassy, including a representative of the Hong Kong Government, in order to ascertain the most feasible export licensing policy to be pursued in the case of Hong Kong. On February 1, 1951, representatives of the British Embassy submitted an *aide-mémoire* (attached as Annex B) which proposed that a substantially automatic licensing policy should be followed. In order to achieve such an automatic policy, the British and the Hong Kong Governments have given assurances to the United States that goods imported from the United States into Hong Kong will not be exported to China either in their original form or as the sole or substantial constituent of goods fabricated in Hong Kong. The British have proposed that all Positive List commodities for export to Hong Kong should be considered on a case by case basis by the Department of Commerce and that non-Positive List commodities should be automatically licensed up to 75 percent of overall imports by Hong Kong in 1949. This is roughly equal to the overall percentage of Hong Kong imports in 1949 which was consumed locally or shipped to destinations other than Communist China.

*Discussion:*

The British have openly and frankly stated in their *aide-mémoire* that the procedure which they have suggested will not be a watertight control which will completely prevent U.S. imports into Hong Kong from reaching China in one form or another. They have stated, however, that it is their belief that the proposed procedure will prevent transshipment and minimize exports to China from Hong Kong of fabricated goods containing United States materials.

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[2] Walter P. McConaughy.

[3] See circular telegram 393, January 17, p. 1877.

It has been generally agreed by the several interested agencies of the United States Government that it is necessary to maintain an effective control over all exports to China from the United States. Since the Department of Commerce is charged with the responsibility of administering such controls, it is particularly sensitive to Congressional and public criticism of any shipment of materials directly or indirectly to China from the United States. It may be anticipated, therefore, that the Department of Commerce will be concerned over the possibility that any U.S. goods will be transshipped, directly or indirectly, from Hong Kong. It might be further anticipated that the Department of Commerce will tend to reject any proposal, such as that made by the British, which admits of such a possibility.

However, it would appear that the Department of State should be prepared to support the British proposal in the interest of good relations with our chief ally and in the general interest of the United States. Since the British have indicated that they are very concerned about the economic repercussions which would be caused by the drying up of essential imports into Hong Kong from the United States, it would seem necessary for the United States, in the interest of the security of Hong Kong, to take the risk that some small amount of U.S. exports will be transshipped to China or enter into the fabrication of materials which are shipped to China.

Hong Kong is important to both the United States and the United Kingdom since it is a symbol of the strength and the stability of the British Empire throughout all Asia. The loss of Hong Kong would remove one of our most important sources of intelligence in the Far East. Its loss to Communist arms would have a psychological effect not unlike the reverses of the United Nations military forces in North Korea. Its loss to the Communists from internal subversion resulting from economic dislocations known to have been produced by United States export controls would be taken in Asia and probably in Europe as an indication of the dissension among the friendly members of the Free World.

*Recommendation:*

It is recommended that the Department of State take the following steps in order to achieve prompt resolution of the differing views of the United States Government and the Government of the United Kingdom and the Hong Kong Government as to procedures for control of United States exports which can contribute towards meeting the legitimate requirements of the Hong Kong economy without subversion of the United States embargo on exports to Communist China:

(a) Mr. Thorp, Mr. Rusk, Mr. Perkins or one of their Deputies, should make available immediately the British *aide-mémoire* to appropriate officers of the Commerce Department, who should be notified that the Department of State accepts, in principle, the view of the British Government that license applications for exports to Hong Kong should be acted upon as it recommends;

(*b*). The Department of State should encourage and participate in technical discussions to be held by representatives of the Commerce Department, the British Embassy, and the Government of Hong Kong during which points of detail in the British *aide-mémoire* should be fully discussed;

(*c*) Departmental representatives in such discussions should be prepared to agree to a modification of the British proposals, if requested by the Commerce Department, to the extent of reducing from 75 percent of overall Hong Kong 1949 imports to 60 percent of 1949 exports from the United States to Hong Kong, the volume of exports of non-Positive List goods which would be approved automatically by United States licensing officers;

(*d*) Departmental representatives should accept, and should insist that the Department of Commerce accept the assurances provided by the Government of Hong Kong in the *aide-mémoire* as being the maximum assurances which, in good faith, that Government can give in the present circumstances;

(*e*) That the United States Government should reply to the British *aide-mémoire*, if at all possible, prior to February 15, 1951.

FE and EUR concur in this recommendation. If it meets with your approval as Department policy, we will initiate discussions with the Department of Commerce immediately.[4]

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[4] See the memorandum by Messrs. Bonbright and Rusk to Mr. Acheson, March 21, p. 1936.

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S/S Files: Lot 63 D 351: NSC 104

## *The Executive Secretary of the National Security Council (Lay) to the National Security Council*

SECRET — WASHINGTON, February 12, 1951.

NSC 104

### U.S. POLICIES AND PROGRAMS IN THE ECONOMIC FIELD WHICH MAY AFFECT THE WAR POTENTIAL OF THE SOVIET BLOC

Reference: Memo for NSC from Executive Secretary, same subject, dated February 12, 1951[1]

The President has referred the enclosed letter by the Secretary of State[2] and its attached report on the subject for consideration by the National Security Council of the "Recommendations on Substantive Measures" contained in Part II–A therein. The Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the

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[1] *Infra.*

[2] Enclosure 2.

Economic Cooperation Administrator and the Director, Bureau of the Budget, are being invited to participate in consideration of the enclosure by the Council, the Secretary of the Treasury and the Director of Defense Mobilization.

The President has referred the "Recommendations as to Organization" contained in Part II–B of the enclosed report to the Director, Bureau of the Budget for separate consideration.

Also enclosed is a copy of the letter from the President to the Secretary of State [3] requesting the enclosed report.

The analysis of the "Vulnerability of the Soviet Bloc to Existing and Tightened Western Economic Controls", and the analysis of the "Trade of the Free World with the Soviet Bloc", referred to in the enclosed letter by the Secretary of State, are being transmitted separately by the reference memorandum.

It is recommended that the "Recommendations on Substantive Measures" contained in Part II–A of the enclosed report, as adopted, be submitted to the President for consideration with the recommendation that he approve them and direct their implementation by all appropriate departments and agencies of the U. S. Government under the coordination of the Secretary of State.[4]

JAMES S. LAY, JR.

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[Enclosure 1]

### *The President to the Secretary of State*

CONFIDENTIAL WASHINGTON, December 28, 1950.

MY DEAR MR. SECRETARY: Recent developments in the international situation require that the United States review and adjust certain of its policies and programs with respect to its international economic activities. It is necessary that we now take such measures as are feasible to prevent the flow to countries supporting Communist imperialist aggression of those materials, goods, funds and services which would serve materially to aid their ability to carry on such aggression. We must enlist the cooperation and support of other nations in carrying out those measures; and in securing such support we must stand ready to take such steps as may be necessary to minimize the economic dependency of cooperating nations upon Communist imperialist countries. Such objectives must necessarily be achieved without materially impairing our collateral aim of increasing the flow, and assuring the sound allocation, of strategic and critical materials to the free countries of the world.

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[3] Enclosure 1.

[4] NSC Action No. 443, taken by the National Security Council at its 84th meeting, February 21, 1951, with the President presiding, recorded discussion of NSC 104, as well as of NSC 102, NSC 91/1, and accompanying memoranda. It also referred these documents to the Special Committee on East-West Trade for further study and revision in the light of discussion at the meeting. (S/S Files: Lot 62 D 1: NSC Actions)

It is my desire that to the extent that legislation, organization and funds permit and subject to your advice and concurrence with respect to foreign policy objectives, all appropriate programs of the Government now be adjusted and hereafter administered in the light of the above determinations. I desire that you keep me currently informed of the actions taken by the various agencies involved in support of these objectives.

Further, I request that you take the lead in developing recommendations, for submission to me within the next 30 days, of additional measures to achieve these purposes. The development of recommendations will require an analysis to be undertaken by the Economic Cooperation Administration, with such assistance from other agencies as it may request, of the economy and trade of Communist imperialist aggressors as well as the economy and trade of countries trading with them and the development of specific programs for the adjustment of those trade patterns.

I am having copies of this letter transmitted to the Secretaries of Defense, Treasury, Agriculture, Commerce and Interior, to the Economic Cooperation Administrator, and to the Director of Central Intelligence with the request that they undertake such studies and analyses and participate in the development of recommendations as you may require.

I am also sending copies of this letter to Mr. Harriman [5] and to the Director of the Bureau of the Budget with the request that they work closely with you in the development of the recommendations, the latter especially on those which have organizational and budgetary implications.

Sincerely yours, HARRY S. TRUMAN

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[Enclosure 2]

### *The Secretary of State to the President*

SECRET WASHINGTON, February 10, 1951.

DEAR MR. PRESIDENT: In accordance with your letter of December 28th concerning U.S. policies and programs in the economic field which may affect the war potential of the Soviet bloc, I submit herewith a report containing the recommendations of the Department of State, together with supporting material setting forth our conclusions as to the nature of the vulnerability of the Soviet bloc, the nature of the economic relationships between the Soviet and non-Soviet worlds, and the implications of alternative lines of action.

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[5] W. Averell Harriman, Special Assistant to the President.

There is appended to the report an analysis of the vulnerability of the Soviet bloc, prepared in the Department of State on the basis of its own intelligence reports and of those of the Defense establishment.* There is also appended an analysis of the economies and trade of the free world with Soviet bloc countries, prepared by the Economic Cooperation Administration with the assistance of the Department of State and other agencies.*

The report contains a series of substantive recommendations for immediate action to strengthen our own controls and those of friendly countries. It also recommends further exploration of a number of lines of action which there has not yet been time to consider fully.

As activities in this field require constant review and consideration and as the possible lines of action are of interest to several departments and agencies of the Executive branch, it is also recommended that an interdepartmental Economic Defense Strategy Board be established for the purpose, among others, of considering proposed economic defense programs and their relationships to foreign policy objectives and other foreign operations. If you concur in this recommendation, it would be desirable for this Board to be established promptly.

Pending the establishment of any new mechanism, I suggest that the report be considered by the National Security Council. I believe this particularly desirable as certain aspects of this subject are already before the Council.

The pressure of time has made it impracticable for us to seek and obtain final approval of the report from the other departments and agencies interested in this subject. We did, however, seek their comments and suggestions on our preliminary draft and have endeavored to reflect their views. We have also had the benefits of the views of the Bureau of the Budget and of Mr. Harriman's office in the development of the recommendations.

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Sincerely yours, DEAN ACHESON

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*Transmitted separately by memo for NSC from Executive Secretary, same subject, dated February 12, 1951. [Footnote in the source text. The Department of State analysis is not printed here; for text, see vol. I, p. 1035. The Economic Cooperation Administration analysis is printed as Appendix B, *infra*.]

[Attachment]

## *Report Prepared in the Department of State*

[Extracts][8]

SECRET [WASHINGTON,] February 9, 1951.

### REPORT TO THE PRESIDENT ON U.S. POLICIES AND PROGRAMS IN THE ECONOMIC FIELD WHICH MAY AFFECT THE WAR POTENTIAL OF THE SOVIET BLOC

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### PART II

### RECOMMENDATIONS

It is not possible to make final recommendations covering the entire subject under review without further study and consultation with other agencies of the Government. However, the following recommendations are submitted with a view to setting a pattern for immediate action and establishing machinery for carrying forward the consideration and development of policies and programs. Because of the interests of certain other departments and agencies of the Government in this subject, and because some aspects of it have been before the National Security Council, it is suggested that these recommendations be referred to the Council for review and consideration by it and other appropriate departments and agencies.

*A—Recommendations on Substantive Measures*

*Export Controls*

1. The U.S. Government should, pending further developments in the U.N., continue to prohibit all exports to communist China, Manchuria and North Korea, but should apply licensing controls so as to permit Hong Kong and Macao to procure from U.S. sources imports for local uses and for transshipment to non-communist destinations.

. . . . . . .

7. The U.S. Government, in view of the Chinese Communist aggression in Korea, should press for the application of effective controls on exports to China. Its efforts through the United Nations should be directed at achieving agreement on economic sanctions by the maximum number of countries; if necessary to achieve a wide measure of agreement, such sanctions may be confined to a list of goods including atomic energy materials, arms, ammunition and implements of war, petroleum, and industrial equipment useful in producing war materials.

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[8] Extracted here are only those portions of the document relating to China and North Korea. For another portion of this document, see vol. I, p. 1026.

S/S Files: Lot 63 D 351: NSC 104 Series

## *Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council*

SECRET WASHINGTON, February 12, 1951.

Subject: U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc

Reference: NSC 104[1]

The enclosed copies of an analysis of the "Vulnerability of the Soviet Bloc to Existing and Tightened Western Economic Controls", prepared in the Department of State (Appendix A),[2] and of an analysis of the "Trade of the Free World With the Soviet Bloc", prepared by the Economic Cooperation Administration (Appendix B), are transmitted herewith for the information of the National Security Council in connection with its consideration of NSC 104 on the subject.

Both the enclosures are referred to in the second paragraph of the letter from the Secretary of State to the President contained in NSC 104.

JAMES S. LAY, JR.

### Appendix B

### *Report Prepared by the Economic Cooperation Administration*

[Extract]

SECRET WASHINGTON, February 1951.

### TRADE OF THE FREE WORLD WITH THE SOVIET BLOC

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### SUMMARY PART II: CHINA

Because of the difference in the military situation and because of the peculiarities of the Chinese economy, the US has adopted a policy of trade controls towards China which differs substantially from our trade controls towards the European Soviet Bloc. In contrast with our policy of selective controls towards exports to the European Soviet Bloc, we have placed a virtual embargo on all trade (export and import) and financial transactions with China.

Western Europe and the United Kingdom have gone along with us only a short way in this policy, and the raw material producing areas of the world have done little or nothing. The Western industrial world is, however, a major factor in China's import position and our policy has therefore already had measurable effects on China's imports.

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[1] *Supra.*

[2] Not printed here. For text, see vol. I, p. 1035.

In adopting this policy we should recognize clearly that we can do relatively little economic damage to the great Chinese area through general trade controls. China is one of the most self-sufficient areas in the world in the purely technical sense that it imports only a minute part of its aggregate requirements. The real meaning of this technical definition is that China normally has relatively little to sell to the outside world for the purpose of financing needed import supplies, and it therefore follows that it would be difficult to disrupt the internal economy by diverting the import stream. Furthermore, the great resources of China are manpower, animal power and land. The employment of these resources cannot generally be disturbed by the denial of outside supplies.

To the extent, however, that China can be hurt through the blocking of certain imports, she is today vulnerable and, in the event of a formal blockade, would be in a critical position in respect to these important imports. Most of China's imports are recorded or smuggled through her own, British and Portuguese ports along the coast of the Yellow Sea and the China Sea. Internal Asiastic lines of communication are bad and the goods available along these lines are not the type most needed by China. Furthermore, China obtains most or practically all of its machinery, steel, oil and other items essential to the modern sector of its economy from the US, Canada, Western Europe and Japan, or, as in the case of oil, through supplies controlled by US and British companies. These supplying areas are the ones most responsive to US policy objectives. In the balance of the free world only South Asia and Southeast Asia are important as suppliers to China. While many of the supplies China receives from these areas are "essential" in a technical sense, they could in a pinch be done without.

In examining the vulnerability of China, certain facts stand out clearly:

(1) China normally obtains most of its petroleum products from the non-Soviet Bloc. The British and American oil embargo against China has to date been effective in curtailing China's oil supplies, but we must recognize that the Chinese economy and even the Chinese military establishment are not greatly dependent upon petroleum products.

(2) A major bottleneck in China is likely to be the railway system particularly if the scene of Asiatic military action should shift to the south. In that event the necessity of moving oil and heavy equipment (particularly from Manchuria) would probably place a serious burden on China's rail system and, perhaps, an intolerable burden if the coaster traffic were disrupted. Chinese purchasing agents have been aggressively seeking rail supplies throughout the world and, while

Soviet Russia may be in a better position to help in this respect than it can with certain other kinds of capital equipment, China clearly needs as much material for its communications system as it can possibly get.

(3) The technological sector of China, while unimportant in aggregate terms in the area's massive economy, is important for political and psychological reasons as well as for longer-range economic reasons. Backed by a slim reserve of replacements, spare parts and technical know-how, this sector is heavily dependent upon a sustained inflow of new equipment. Worthy of note in this connection is the fact that selective export controls against the Chinese technological sector are less meaningful than the same selective type of controls against the Soviet Bloc in Europe because of the wide range and general character of the machinery required by China. As normally the largest supplier of this equipment to China, our unilateral embargo has become effective, but shipments from other industrial areas of the free world appear to be moving towards postwar peak levels.

(4) Rubber and cotton: These items are usually rated as "essential" in any analysis of China's import program. China has, however, recently made such abnormally large purchases of crude rubber that it can probably continue for a long time without additional supplies and, in any event, crude rubber can be done without in China, assuming that tires continue to come from outside sources. Cotton imports are important primarily in their essentiality in keeping the country's big textile industry in operation. This commodity can, however, be procured from so many sources throughout the world that we would have to embark on a major political and economic program if we seriously attempted to seal China off from the cotton production of the world.

The US and Western Europe, although accounting for a large part of China's total exports, are not critically dependent upon China for supplies. Lists of "essential" items which we receive from China are "essential" to us only in the sense that the Chinese product will do a better job than a satisfactory substitute. Tungsten is the major exception to this rule, and it would be highly important to us if Chinese supplies should continue to arrive.

In over-all economic terms our trade policies of today are not costing China a great deal. In this report we have made a rough guess that the cost to China of obtaining substitute material and the cost in terms of resources rendered idle by our embargo might be of the magnitude of $75 million a year. A part of this cost stems from the fact that certain by-products of the Chinese farming operation, such as duck feathers, lose some or most of their value in the absence of an American market. In judging the aggregate economic cost to China we must bear in mind that, because of the nature of our embargo, the cost is spread thinly over a major part of the population. About the best that can be said for our policy in striking an economic balance is that the free world, and the US in particular, do not suffer in a measurable sense.

The one major geographic exception to this general rule of invulnerability of the non-Communist world to an embargo on China is Japan. We have made an estimate that, because of the loss of Chinese sources for vital imports (primarily soy beans, coking coal and iron ore) the economic cost to Japan of obtaining alternative supplies will run about $10 million per annum. These alternative supplies must, however, come primarily from the US and, unless Japan's normal exports to China can be diverted to this country with the possible aid of a liberalization of our trade policy, the cost to Japan of the loss of Chinese supplies may be several times greater than the calculated incremental cost of substituted imports. The realignment of Japan's trade relations is a problem of the first magnitude.

In the final analysis, however, the real criteria for judging the balance of advantages and disadvantages in our trade war on China are not economic. They are military, psychological and, above all, political. Because of the way the Chinese army fights, we should not be too optimistic about the military effects of our policy, but if China plans to become aggressive in more than one spot around its periphery, its complicated transportation and oil problem will have to be taken into account. Politically it is also important that we have in effect announced to the free world and to the Chinese people that we are imposing a quarantine against them in their contact with a large part of the modern technological world. Since the effects of this announcement are not economic, they have not been analyzed in this report.

Because our operations against the Chinese have gone so far, we have wound up the Chinese section of this report with a set of six specific recommendations as follows:

(1) In considering the wisdom of pressing for general economic sanctions against China throughout the free world, we should weigh carefully the advantages and disadvantages of pressing for a wide range of global controls on trade items for China which have little or no economic, political or military meaning. Emphasis on a few trade categories would probably yield better results in our negotiations with other friendly governments.

(2) We should continue the oil embargo with added pressure on the companies to investigate any questionable f.o.b. sales.

(3) We should make a serious attempt to seal off China from supplies needed for railroad maintenance and construction. It would also be desirable, if the political costs are not too great, to gain the cooperation of other nations in a position to supply China with machinery, capital equipment and steel mill products.

(4) How to handle cotton is obscure but the advantage to us of a curtailment of supplies to China is probably not sufficient to justify a major political effort to insulate China from the cotton supplies of

the world. A better solution would be possible if there were a system of global allocations of cotton in which the inducements offered to the cotton-producing areas would consist partly of access to other needed materials rather than political or financial offers.

(5) The blocking of dollar assets and the general program of stopping financial transactions in which Red China has an interest should be continued. One important exception to this policy might be our willingness to release blocked dollars to permit tungsten imports.

(6) Since China's trade is so vulnerable to the disruption of its sea communications, careful consideration should be given to an informal merchant shipping embargo of Chinese ports by ships flying the flags of free countries. Much might be accomplished through intensified negotiations among the free maritime governments, who always maintain close policy contact with their shipowners, and it is also important that the US Government is in a good position to invoke sanctions against recalcitrant foreign shipowners.

In setting forth these recommendations, which would make the situation of China somewhat more difficult, we have not attempted to estimate the priority for our negotiating a full economic quarantine with other friendly nations. The military-economic effect of successful negotiations with respect to China would not be large. It is far more important from a military-economic point of view to tighten controls against Eastern Europe than against China. Furthermore, the wisdom of embarking upon negotiations of this kind is a question that should be carefully weighed in any broad analysis and goes beyond purely economic considerations.

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795.00/12-1351

*Memorandum of Conversation, by Ward P. Allen of the Bureau of European Affairs*

CONFIDENTIAL [WASHINGTON,] February 13, 1951.

Subject: Possible UN Sanctions against Chinese Communists

Participants: Mr. C. A. Gerald Meade, Counselor, British Embassy
Mr. K. R. C. Pridham, Second Secretary, British Embassy
Mr. Harding Bancroft—UNP [1]
Mr. David Popper—UNP
Mr. U. Alexis Johnson—NA [2]
Mr. Gardner Ranney—BNA
Mr. Ward Allen—EUR

*Summary*. UK Foreign Office preliminary views are that any diplomatic or political sanctions are useless, superfluous or harmful, although they would find unobjectionable a refusal to grant *de jure* recognition to territorial gains resulting from Peiping's aggression. Explaining our position re a ban on UN representation[3] and further diplomatic recognition, we urged their further consideration of these matters and in turn agreed to reconsider our own views regarding the withholding of diplomatic representatives of those countries which have recognized the Communist regime. Discussion of possible economic sanctions is to take place as soon as the UK representatives receive awaited instructions.

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[1] Director, Office of United Nations Political and Security Affairs.

[2] Deputy Director, Office of Northeast Asian Affairs.

Following a brief statement of the general approach of the US toward the work of the *ad hoc* Collective Measures Committee, Mr. Meade stated the UK position as set forth in the attached paper.[4] In the course of the discussion the following additional points were brought out:

1. *General.* In response to the UK view that diplomatic sanctions would be useless or counter-productive, we expressed the view that diplomatic measures of some sort are a logical consequence of the declaration of the Chinese Communists as aggressors and are desirable both to register the moral condemnation of their continuance of the aggression as a warning that they cannot expect full membership in the international community so long as they continue their present course, and that, coupled with economic measures and the continuance of military action in Korea, diplomatic measures should help induce a modification of Chinese Communists attitude and deter possible action in other areas.

2. *Recommendations for Maintenance of Status Quo on Recognition and on Seating in the UN.* Considerable discussion failed to produce agreement on these points. The UK representatives expressed the view that, regardless of the theoretical appropriateness of such measures, the consequences would be harmful, both in terms of the reaction of the Chinese Communists themselves in driving them into the arms of Moscow and of the attitude of a number of Asian countries. The latter regard US action in Formosa as only somewhat less reprehensible aggression than Chinese action in Korea since in the Asian view the US has interfered militarily in a civil war in order to defend a losing regime which we ourselves had publicly acknowledged as discredited and bankrupt. Such diplomatic measures against the Peiping Government as a ban on seating and on further recognition would be

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[3] For documentation on the question of Chinese representation in the organs of the United Nations, see vol. II, pp. 209 ff.

[4] Not printed.

seen as a further effort to shore up diplomatically the fallen Nationalist regime. We pointed out that refusal to seat the Communists in the UN until they have, so to speak, purged themselves of their contempt is not so much a retributive sanction as the minimum necessary concomitant of recognizing their aggression against the UN. We suggested that if, as seems clear, the necessary majority for seating them will not be forthcoming in any event there could be no harm in this decision being formalized. The UK representatives observed, however, that, just as with UN action regarding Spain, formal decisions of such nature make more difficult any subsequent modification or reversal at some future time. This they felt highly undesirable. It was recognized on the other hand that if any GA decision barring seating were to be qualified by the phrase "so long as their aggression continues" this might be some encouragement that in the future repentance would bring admission. We referred to the greater effect on the Chinese Government and people of a formal declaration by the UN than a simple *de facto* continuance of the *status quo*.

In summary, it was recognized that the wisdom of such diplomatic steps depend on a balance of the above factors and that our differences of view arise from the differing degrees of importance which we and the UK attach to these factors.

3. *Recommendations for withholding Diplomatic Representatives of those Countries which have Recognized.* The UK representatives were critical of this proposal as illogical and ineffectual and pointed out that the same arguments used against full rupture of diplomatic relations would argue in favor of permitting countries which have already recognized to send chiefs of mission to Peiping if they so desired. We agreed to reconsider our position on this point.

4. *Declaration of Refusal to Recognize Changes brought about by the Aggression.* There was little discussion of this point since the UK regarded it as unobjectionable. We pointed out that it involved refusal to recognize political situations as well as territorial changes brought out as a consequence of the Chinese Communists aggression.

5. *Proposal for Economic Sanctions.* Although this subject was reserved for discussion at the next meeting, the UK representatives indicated guardedly that the UK might be willing to agree through COCOM to the addition of List II items to the List I items now embargoed to China by COCOM countries. We stated that in our view secret action by COCOM countries without the knowledge of and accompanying action by the UN would, however desirable itself, be insufficient for purposes of the UN resolution and of the psychological effect on the Chinese Communists. We outlined briefly the general US position on economic sanctions.

493.009/2-1551

## *Memorandum by Ward P. Allen of the Bureau of European Affairs to the Deputy Assistant Secretary of State for European Affairs (Bonbright)*

SECRET [WASHINGTON,] February 15, 1951.

Subject: US Position on Economic Sanctions against China

Attached is the recommended US position on this subject as it has been developed by a working group with BNA and EUR participation, modified slightly to counter Treasury and Commerce insistence on having the US propose what would amount to a total embargo. The Treasury Department also desires to have the whole matter thoroughly explored by the NSC. Informal efforts are being made to obtain Treasury and Commerce acquiescence to the more limited approach of the attached, and to avoid the necessity of NSC consideration. It may, however, be necessary to have high level talks with at least Treasury representatives, since their general approach seems to be, by urging virtually complete embargo, either to put the State Department on the spot for refusing to have the US propose this in the UN or to have the US propose it and place the onus of rejecting it on the UK and our other Allies.

We have agreed to these recommendations *ad referendum* with the understanding (agreed to by the others) that we will not press, even privately with the UK, for any more than the minimum stated in Recommendation #1.[1]

I would appreciate any comments or guidance on this.

[Attachment]

### *Draft Position Paper Prepared in the Department of State*

SECRET [WASHINGTON,] February 12, 1951.

### ADOPTION BY UNITED NATIONS GENERAL ASSEMBLY OF A RESOLUTION CALLING FOR ECONOMIC SANCTIONS AGAINST COMMUNIST CHINA[2]

#### PROBLEM

On February 1, 1951 the General Assembly adopted a resolution with respect to the intervention of the Central People's Government of the People's Republic of China in Korea. Numbered paragraph 6 reads as follows:

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[1] Marginal notation: "OK. JCHB[onbright]."

[2] For the text of a subsequent position paper on this subject, see the attachment to the memorandum of April 12 by Mr. Popper, p. 1953.

> Requests a Committee composed of the members of the Collective Measures Committee as a matter of urgency to consider additional measures to be employed to meet this aggression and to report thereon to the General Assembly . . .

It is necessary to determine the position which the United States Representative on this committee should take with respect to "additional measures" in the economic field.

### RECOMMENDATIONS

1. The United States Representative on the special committee should propose and support the adoption of a resolution calling for the immediate imposition by all United Nations members of an embargo on certain shipments to China. The United States should regard as the irreducible minimum an embargo on petroleum, munitions and items useful in the production of implements of war.

2. The United States Representative should initiate and support inclusion in the resolution of provisions recommending that:

(*a*) each Member of the United Nations shall determine what commodities qualify for inclusion in the embargo under the general formula and shall apply its own export controls to such commodities; and

(*b*) each Member of the United Nations shall undertake not to negate the effectiveness of the embargo applied by other complying States.

3. With respect to machinery for reviewing the application and enforcement of the embargo, the United States Representative should propose the establishment of a committee to which all Members applying the embargo would report periodically on the commodities whose export is embargoed by such countries and the types of controls being applied. This committee would review such reports and report thereon, with appropriate recommendations, to the General Assembly. The United States Representative, in discussing this proposal with other Delegations, should in his discretion suggest that it might be appropriate to confer these reviewing and reporting functions upon the special committee established pursuant to the February 1 resolution, quoted above.

493.009/2-1651

## *Memorandum by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant) to the Officer in Charge of Economic Affairs in the Office of Chinese Affairs (Barnett)*[1]

SECRET [WASHINGTON,] February 16, 1951.

I have two comments on the draft position paper of February 12 relative to economic sanctions against Communist China. The first of these, which I mentioned to you yesterday, is that as a matter of both tactics and, even more important, support of this Government's position, the United States representative on the Committee should state the U.S. desire that all UN members should totally embargo trade with China. This statement I think should be followed, in the interest of the realities, by a clear indication that we are not going to stubbornly hold out for extreme action and should concentrate on obtaining as wide an area of general agreement as possible. This point is more one of tactics and presentation than substance.

My second point, however, I fear is more difficult to meet. I don't see how as a practical matter we can escape having the Committee formulate the list of prohibited items. If each country is allowed to make up its own list, it seems to me that the result in practice will be that no country (except the United States) will embargo more items than appear on the smallest list of the least enthusiastic member. The alternative to this course I realize is unattractive but I think less so than the course proposed.

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[1] Copy sent also to the Assistant Secretary of State for Far Eastern Affairs (Rusk).

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320.2-AC/2-1751: Telegram

## *The Secretary of State to the United States Mission at the United Nations*

CONFIDENTIAL WASHINGTON, February 17, 1951—2 p. m.

718. Fol plan work for Comite on Additional Measures against China is transmitted for possible informal use in event USDel views sought by Comite bureau or other members:

I. *Procedures*

*a.* Second meeting of Comite shld take place not less than a week after initial meeting at which Comite will be organized and officers elected. Thereafter, meetings shld take place as frequently as consistent with careful work by Comite and opportunity for its members consult their Govts. Work of Comite and schedule of meetings will inevitably be influenced by military developments in Korea and progress of GOC. When Comite ready file report, it will consider whether GOC has made such progress as to render it desirable for Comite postpone submitting its report, as provided in GA Res Feb 1.

*b.* As general rule, Comite shld meet as whole. If it appears particular questions can better be considered by sub-Comite, such sub-Comite, preferably sub-Comite of whole, shld be created for purpose. It may be desirable, for example, create sub-Comite on economic measures to consider desirability, practicability and effect of proposed economic measures against Chi. It may also prove desirable create small drafting groups from time to time.

*c.* Comite shld meet privately and treat all proceedings confidential. From time to time may, if considers appropriate, prepare press communiqués on meetings, or press releases on progress it is making.

*d.* Comite shld adopt at second meeting gen outline of work. Under each part of agenda, members will of course state views and may also propose additional items for Comite's consideration. In view delicate nature of work of Comite, it does not appear desirable have draft proposals prepared by Secretariat. Secretariat will be used for aiding members in drafting proposals or for drafting on matters on which Comite has reached agreement in principle. It may also be utilized for preparation historical or purely technical studies.

II. *Proposed Outline of Work*

*a.* Gen discussion

*b.* Economic measures

It is proposed that Comite begin by consideration economic measures which might be suggested to Assembly for recommendation to members. It is believed that it will be easier to reach gen agreement on such measures and Comite can make better progress by beginning with them. Also in view of ramifications of such measures, more time will be necessary for full study. If it is decided to create sub-Comite for subject, sub-Comite will be able begin work immediately, thus allowing more time for deliberations.

Comite shld consider:

1. Full embargo against China: Is such embargo desirable and practicable?

2. Selective embargo: Is selective embargo desirable and practicable? If so, shld gen formula be adopted, or individual items specified?

3. Enforcement of or supervision of economic measures: Shld there be UN supervision? If so, in what form? Shld members be asked report what they are doing in compliance with recommendations economic measures?

4. Drafting resolution for GA recommending measures.

*c.* Political Measures

1. Chi Representation in UN: Shld GA recommend UN organs not

consider Peiping's claim for representation or not act favorably upon it, so long as it is aggressor? Shld such recommendation be made to all Specialized Agencies?

2. Non-recognition of situations brought about as consequence of aggression: Shld GA recommend that member Govts refrain from recognizing any political or territorial changes brought about as result of North Korean and Chi Commie aggression?

3. Diplomatic recognition: Shld GA recommend complete rupture all diplomatic relations with Peiping so long as it remains aggressor? Shld it recommend withdrawal of Ambassador and Ministers? Shld it recommend that states which have not recognized shall not recognize?

4. Drafting resolution

*d.* Psychological Warfare

1. UN "campaign of truth": Shld UN organize campaign make true version Korea situation, and UN action, available to enemy forces? To North Korean and Chinese people? What methods shall be used? What kind of materials?

*e.* Increased support for Unified Command: Methods for getting members to increase contributions of troops and supplies for action in Korea.

*f.* Other military measures, if any, to deal with Chinese aggression in Korea.

*g.* Drafting report.

ACHESON

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957.53/2-1751: Telegram

### *The Chargé in the Republic of China (Dawson) to the Secretary of State*

CONFIDENTIAL PRIORITY TAIPEI, February 17, 1951—2 p. m.

1105. Deptel 783, February 16,[1] Foreign Minister Yeh told Embassy officer today *Hoi Houw* seized because cargo was necessary military supplies for Chinese Communists and in effect bought with Chinese

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[1] Telegram 783 to Taipei, February 16 (not printed) instructed the Embassy to request of the Foreign Ministry of the Republic of China an explanation of the circumstances surrounding the seizure by the Chinese Navy of the Norwegian vessel *Hoi Houw*. The Embassy was to point out that this action was in violation of principles accepted by the Chinese Government in its *aide-mémoire* of July 7, 1950 (the substantive portion of which, as transmitted in telegram 15 to Taipei, July 7, 1950, is printed in *Foreign Relations*, 1950, vol. VI, p. 371) and of assurances that the Chinese Navy would interfere with no foreign shipping (as conveyed in telegram 386 from Taipei, September 16, 1950, not printed; 941.53/9-1650).

In telegram 783 the Department also informed the Embassy in Taipei that while it had made serious efforts to prevent the delivery to Communist China of certain specific items included in the *Hoi Houw*'s cargo, the Department had not inspired the seizure (957.53/2-1651).

Nationalist funds since defected Bombay branch Bank of China issued letter of credit for purchase cargo. Said 90 percent cargo transshipped from Isbrandtsen *Flying Cloud* and including large amount penicillin, typhus serum, X-ray equipment, chemicals, et cetera. Yeh stated ships log and master's statement proved ship en route Tsingtao although Indian clearance only for Hong Kong.

Yeh said as soon as cargo unloaded and questioning completed which he hopes will be in few days ship will be released and none foreign officers harmed. Unusually large Chinese crew, including Chinese Nationalist defectors. One officer is Chinese, rest Norwegian.

When Embassy officer pointed out seizure violated pertinent undertaking by Chinese Nationalist Government, Yeh said Foreign Office agreed seizure vessel, hoped US Government would sympathetically view this action. He declared Chinese Nationalist Government had no intention not to adhere to its commitments US Government but considered this special case involving denial military supplies to enemy and recovery stolen property.[3]

Department pass Bombay, Oslo, Hong Kong; sent Department 1105, repeated information Hong Kong 266, Bombay, Oslo unnumbered.

DAWSON

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[3] Telegram 1117 from Taipei, February 20 (not printed) reported that the Foreign Ministry had informed the Embassy that the *Hoi Houw* had been released at 2 p. m. that day (957.53/2-2051). Further details were given in despatch 137 from Taipei, February 26, not printed (957.53/2-2651).

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INR–NIE Files

## *National Intelligence Estimate*

[Extracts][1]

SECRET [WASHINGTON,] 19 February 1951.
NIE–22

## VULNERABILITY OF THE SOVIET BLOC TO ECONOMIC WARFARE[2]

### PROBLEM

To estimate the vulnerability of the Soviet bloc to economic warfare.

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[1] For another extract of this document, which deals mostly with the Soviet Union and its Eastern European Satellites, see vol. I, p. 1046.

[2] According to a note on the cover sheet, "The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. All members of the Intelligence Advisory Committee have given their concurrence to the estimate. This paper is based on information available on 15 February 1951."

## FOREWORD

The term "economic warfare" as applied in this paper covers the offensive use in peacetime of measures to diminish or neutralize the war potential of the Soviet bloc.*

The extent to which in the event of war the resources of conquered territories could be effectively utilized and the extent to which they would represent a net gain to the bloc is a problem beyond the scope of this paper. The absence of military operations is assumed as a part of the terms of reference.

Since China is engaged in military operations against United Nations forces in Korea, it is necessary to assess the effect of economic warfare upon China under the existing circumstances.

The measures considered available to the Western Powers to deny exports to the Soviet bloc include the following: export and import licensing, trade manipulation, preclusive buying, black listing, foreign funds control, and the denial to the Soviet bloc of access to non-Soviet maritime and air facilities. The effects of blockade and of the use of the navicert and ship warrant systems are not considered in this paper under the term economic warfare since these measures are usually not employed except in a state of war.

## GENERAL CONCLUSIONS

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*Chinese Military Capabilities.*

6. The effect of a program of economic warfare against China requires special consideration since China is actually engaged in military operations of major importance. The effect of economic warfare alone would not be a decisive factor in limiting Chinese military capabilities. Combined with the present drain caused by the Korean war, however, economic warfare would substantially reduce Chinese military capabilities (though not to the extent of critically disrupting current tactical operations) and might ultimately affect the Korean war itself. Unless the Soviet Union were engaged in supplying major campaigns elsewhere, it would have the capability, despite certain stringencies in its economy, of supplying China's essential military requirements, but it is uncertain how much the flow of Soviet supplies to China could be stepped up without creating critical transportation difficulties. The

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*The Soviet bloc is defined as: the USSR, China, Albania. Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, and Rumania. The vulnerability of Korea, Outer Mongolia, and certain Communist-controlled areas in Southeast Asia is not considered because of the relative insignificance of the economies in these areas; however, it is assumed that economic warfare measures will also apply against these regions. [Footnote in the source text.]

effect of these difficulties together with the drain caused by the Korean war might, conditioned upon the degree of resistance, exert a restraining influence upon Chinese plans for further expansion in Southeast Asia or might significantly hamper the execution of such plans if they were put into operation.

*Chinese Economy.*

7. The industrial centers of China which are largely the product of Western capitalism are peculiarly dependent upon the West for raw materials, for supplies, and for industrial spare parts, and, indeed, even for the maintenance of some of the barest essentials of an industrial type of society. A program of economic warfare, by depriving these centers of their imports, would consequently have a serious effect on their economy and would increase the problems of internal control there. In addition, a well enforced program of economic warfare would make Communist China more dependent on the very limited Chinese rail facilities connecting with the USSR. Such a program would have increasingly serious effects. It would hamper current industrial production, retard industrial development and might seriously limit China's ability to sustain large-scale military operations. If continued for a long enough time, it might even threaten the internal stability of the regime.

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**S/S Files: Lot 63 D 1: NSC 104 Series**

## *Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council*

SECRET WASHINGTON, February 20, 1951.

Subject: U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc

References: A. NSC 104
B. Memo for NSC from Executive Secretary, same subject, dated February 12, 1951
C. NIE-22

The enclosed revision of the "Recommendations on Substantive Measures" (Part II-A of NSC 104), prepared by the Department of State in the light of the discussion at a meeting of the Special Committee on East-West Trade, is transmitted herewith, as an alternative to Part II-A of the original report, for consideration by the National Security Council at its meeting on February 21.

JAMES S. LAY, JR.

[Enclosure—Extracts]

## REVISION BY THE DEPARTMENT OF STATE OF NSC 104, PART II-A, "RECOMMENDATIONS ON SUBSTANTIVE MEASURES"*

*Export Controls*

1. The U.S. Government should, pending further developments in the U.N., continue to prohibit all exports to Communist China, Manchuria and North Korea, but should apply licensing controls so as to permit Hong Kong and Macao to [procure from U.S. sources imports for local uses and for transshipment to non-communist destinations] *import from U.S. sources goods for local use and for transshipment to non-Communist destinations on appropriate undertakings that the transshipment of such goods, either before or after fabrication, will not be permitted to Communist destinations.*

. . . . . . .

7. The U.S. Government, in view of the Chinese Communist aggression in Korea, should *continue to* press *through diplomatic channels and through such arrangements as COCOM, the tin and rubber conferences, etc.*, for the application of effective controls on exports to China. Its efforts through the United Nations, *however*, should be directed at achieving agreement on *such economic sanctions as can be agreed to by the maximum number of countries; if necessary to achieve a wide measure of agreement in the United Nations, the United States should approve United Nations sanctions less comprehensive than those applied by the United States but the minimum for such sanctions should be atomic energy materials, arms, ammunition and implements of war, petroleum and items useful in the production of arms, ammunition, and implements of war*, [economic sanctions by the maximum number of countries; if necessary to achieve a wide measure of agreement, such sanctions may be confined to a list of goods including atomic energy materials, arms, ammunition and implements of war, petroleum, and industrial equipment useful in producing war materials.]

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*Proposed deletions are shown in brackets, and proposed additions by underlining. [Footnote in the source text. Underlining printed here as italics.]

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820.2-AC/2-2151: Telegram

### *The Secretary of State to the United States Mission at the United Nations*

CONFIDENTIAL WASHINGTON, February 21, 1951—8 p. m.

731. Deptel 718, Feb. 17. Dept desires revise section on economic measures proposed work plan Comite on Additional Measures against

China. Following general introductory para economic measures, section re questions Comite shld consider shld be amended by deleting subparas 1 and 2 and substituting:

"(1) possible limitations on trade with China. Focus of inquiry wld be general question of what trade limitations shld be applied." Subparas IIb(3) and (4) wld remain unchanged.

FYI this language in plan of work will enable Comite to discuss whole range of possible trade limitations, including complete and selective embargoes, and, if Comite decides it is appropriate, to review categories of items which might fall within various types of embargoes. It is a flexible formula which enables both US and UK to retain full freedom of action. Further, it will avoid adverse reaction which might be expected, particularly from US public opinion, if Comite began with discussion complete embargo and rejected this idea, as wld certainly be case since it wld obviously be impossible reach agreement with UK, as well as other dels on complete embargo. Suggested approach will also lead into consideration of type of general formula for selective embargo which US now intends to propose at appropriate time. General wording of basic question re nature of economic sanctions to be applied will not preclude US, in presenting own position, from referring to total embargo which US now applying against China as most effective step which can be taken, from recognizing difficulties which other Members find in adopting same position, and from consequently agreeing to selective embargo as most UN wld wish to undertake in present circumstances.

ACHESON

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320.2-AC/2-2151

*Memorandum of Conversation, by Ward P. Allen of the Bureau of European Affairs, and the Officer in Charge of Economic Affairs in the Office of Chinese Affairs (Barnett)*

SECRET [WASHINGTON,] February 21, 1951.

Subject: Possible UN Sanctions against Chinese Communists

Participants:
Mr. C. A. Gerald Meade, Counselor, British Embassy
Mr. D. A. Greenhill, First Secretary, British Embassy
Mr. R. Burns, Counselor, British Embassy
Mr. U. Alexis Johnson—NA
Mr. Robert W. Barnett, CA
Mr. Edmund Kellogg—UNE[1]
Mr. David Popper—UNP
Mr. Maurice Levy-Hawes—BNA
Ward P. Allen—EUR

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[1] Acting officer in charge of United Nations economic affairs, Office of United Nations Economic and Social Affairs.

**A. *UK Views.***

At the outset of the meeting Mr. Meade outlined UK views on the following aspects of the problem of economic sanctions, stressing that they were informal and had not yet received Cabinet approval.

1. *Full Embargo*. By this the UK understood to mean the export prohibition on all goods and commodities imposed at the source. They expressed the hope that this idea would be discarded at the earliest possible stage. In the UK view, it would be unrealistic to expect the support of all major countries (mentioning specifically India, Burma and Pakistan as probable dissenters) and they felt that even if all countries did participate it would not achieve the objective since China is not seriously dependent on sea-borne imports. Thus, a full embargo would not alter the course of military operations in Korea, nor deflect the Chinese from further aggressive operations elsewhere. The British Combined Chiefs see the gravest political and military consequences and possible retaliation by the Chinese Communists to any effort to impose and enforce a full embargo.

2. *Shipping Controls*. The UK feels these would not be effective without the cooperation of all Members which, again, it would be almost impossible to obtain, and they were fearful that the effort to impose such controls would result in greater harm to the UN Members than damage to the Chinese Communists. They pointed out that, for example, the imposition of such controls would undoubtedly result in large scale defections of Chinese sailors from the Dutch and British merchant fleets. This would seriously cripple shipping operations generally, and the probable attitude of India and Pakistan would make difficult the recruitment of their nationals as replacements.

3. *Naval Blockade*. This would be the only certain way to make a full embargo completely effective. The UK is opposed to it on three grounds:

> (*a*) It could not be legally imposed by decision of the UN (except the obviously impossible decision by the SC under Chapter VII) and therefore any efforts to enforce it would encounter serious legal objections.
>
> (*b*) Such a provocative form of economic warfare would be vehemently opposed by India and the other Asian States.
>
> (*c*) It would be likely to lead to military counter-measures by the Chinese and to run the risk of military encounters with Soviet vessels, and thus might well provoke an extension of hostilities.

4. *Financial Controls*. In the UK view unless a complete embargo is imposed, effective financial controls could not be enforced. The process would be too complicated. We expressed some dissent from this view, pointing out that financial measures could nevertheless increase the effectiveness of a marginally effective partial embargo.

5. On a partial embargo the UK representatives indicated they had no views to express in the absence of some further indication as to US thinking regarding the scope, machinery, etc.

B. *US Views.*

1. We explained in some detail the background of events which led us to impose a full embargo ourselves and gave the rationale for it along the following lines:

Since the autumn of 1949 when Communist authority began to replace that of the National Government there have been present within the United States Government two opposed theories which were thought could govern our trade relations with Communist China. One was that maintenance of trade relations represented "a foot in the door" to be exploited, if possible, as a means for influencing Communist China to loosen its ties with the Kremlin and seek some reasonable *modus operandi* with the countries which had the most to offer and most to gain from mutually advantageous economic relations. The other theory was that Communist China should be penalized, by economic means, for its declared hostility to the West—and particularly the United States—should be deprived of goods which contributed to the success of a regime engaged in programs of internal political repression and foreign aggression. The policy actually adopted by the United States from the autumn of 1949 until March 1950 combined the two theories; goods of strategic value were either prohibited or limited to quantities which represented normal civilian need, and non-strategic goods were permitted to flow freely. Our China trade policy was more liberal than that for other countries in the Soviet sphere. In March 1950, the actions of the Chinese Communist regime had removed the reason for drawing this distinction; thereafter China was treated on the same basis as the U.S.S.R. and the Eastern European satellites. The North Korean aggression in June produced a further tightening of United States export controls; after June all United States Positive List exports to Communist China and North Korea were embargoed. The increasingly apparent dependence of North Korean military potential upon supplies and manpower from the Manchurian hinterland demonstrated, in our view, the wisdom of this decision. The Paris Consultative Group was, somewhat sluggishly, following our line of thought; in July it agreed to take the action the United States had taken in March and placed China on the same basis as the U.S.S.R. so far as its prohibited list was concerned.

Notwithstanding all these developments, the United States had not abandoned completely the "foot in the door" theory. We awaited, with anxiety and hope, evidence that the Chinese Communists, by their actions, could qualify for more or less normal treatment of our trade with China. Massive Chinese aggression in late November, however, confirmed our anxieties and removed our hopes. Between December 2 and December 17, the United States instituted comprehensive controls over all our economic relations with Communist China; we license no goods whatever for export to Communist China, we prohibit our ships and planes from calling at its ports or carrying any goods destined for its ports, we require offloading of United States Positive List items in transit through the United States jurisdiction, and we have frozen Communist Chinese assets within the United States.

These steps obviously constituted an abandonment by this Government of the "foot in the door" theory. Several considerations seem to us to have justified resort to the alternative theory, economic warfare. In strictly economic terms the pattern of United States exports was such that to cut them off would, we felt, produce a measurable damaging effect upon the Chinese economy. Over seventy-five percent of China's raw cotton imports were, for example, purchased from the United States. Cessation of these exports has hurt the Chinese textile industry, which, as is known, is the largest productive component in the modern sector of China's industrial economy. Second, it was felt that export of multiple use within China—e.g. medicines and chemicals—was certain, under present circumstances, to be fed into the Chinese Communist war machine before being made available for civilian use. To permit this to occur would, we felt, represent collusion in the operations of the Chinese Red Army. Third, it was felt that no political advantage could be realized in Communist China by continuation of a business-as-usual attitude towards trade; on the contrary, it might well engender contempt for American lack of realism with respect to the political and military implications of China's declared hostility and overt challenge of United States rights and interests and the purpose of the United Nations in Asia. Finally, the indignation developing in the United States, in Congress and among the people, over Chinese Communist aggression was such that legislative action might have been taken had the executive branch of the government not acted promptly to take the steps referred to previously.

The United States policy and action in this field have, of course, resulted from a balancing of the harm which could be inflicted upon the Chinese Communists against the losses borne by the United States through adopting them. From our standpoint there is no question that, on balance, comprehensive economic sanctions against the Chinese Communists were clearly in our national interest. We recognize, however, that in striking this balance other countries may reach different conclusions or may reach our conclusion more slowly than we have done. We do not intend, at this juncture, to insist that other countries do what they are not, voluntarily, prepared to consider in their national interest. However, we cannot see how any country can, under present circumstances, fail to prevent shipments to Communist China of items which serve directly the needs of the aggressive operations being spearheaded by the Red Army in Korea.

We stated that at an appropriate time in the *ad hoc* CMC we would want to make a similar exposition of our views. While not agreeing, therefore, with the UK view as to the ineffectiveness of a full embargo to accomplish our objectives, we had nevertheless concluded that under present circumstances the requisite support for such a step would probably not be forthcoming in the GA and stated that we did not therefore now propose to press for it.

2. In response to the UK request for a further expression of our thinking as to a partial embargo, we stated that we would regard as the irreducible minimum a resolution by the GA recommending the immediate imposition of an embargo on petroleum, atomic energy materials, arms, ammunition, implements of war and items useful in the production of atomic energy materials, arms, ammunition and implements of war. We thought it could be left to each Member to determine what commodities would qualify for inclusion in the embargo under this general formula and to apply its own export control to such commodities. The resolution should also contain in our view a recommendation that each Member of the UN undertake not to negate the effectiveness of the embargo applied by other complying States.

With respect to machinery for reviewing the application and enforcement of the embargo, we stated we would favor the establishment of a committee to which all Members applying the embargo would report periodically on the commodities whose export is embargoed by such countries and the types of controls being applied. This committee would review such reports and report thereon, with appropriate recommendations, to the General Assembly. It might be appropriate and less complicated to confer these reviewing and reporting functions upon the special committee established pursuant to the February 1 resolution.

3. In presenting the above points we stressed that they were to be regarded as an irreducible minimum and suggested that we jointly consider whether it might be wise tactics initially to propose a more ambitious program and retreat to this in the face of certain opposition. We also pointed out that the adoption of such a program would in no way replace the steps we are now taking through COCOM and

other channels to regulate trade nor foreclose bilateral discussions to obtain more stringent controls on certain other products by certain countries. We would also be free to consult on the interpretation of the phrase "items useful in the production of . . .".

The UK representatives, although officially noncommittal, reacted favorably to the above, Mr. Meade remarking he thought the US was being moderate and reasonable and Mr. Burns stating that such a program would not cause insuperable difficulties from the economic point of view. They believed the Foreign Office reactions to the foregoing would be forthcoming by next Monday, February 26th, and we tentatively agreed to meet again at that time.

C. *Diplomatic Sanctions.*

Mr. Meade indicated that the Foreign Office views regarding imposition of diplomatic sanctions did not appear to have changed appreciably since our previous discussion and we indicated in response to his question that ours had not either, that we still are of the firm opinion that a resolution should be approved to the effect that the Chinese Communists should not be seated as the representatives of China in UN organs and that no country which has not yet recognized the Peiping regime should do so so long as their aggression continues.

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**611.93231/2-2351 : Circular airgram**

*The Secretary of State to Certain Diplomatic and Consular Offices*[1]

CONFIDENTIAL WASHINGTON, February 23, 1951—2:40 p. m.

From State and Treasury. Reference is made to Department's circular instructions of January 26 and February 9, 1951[2] relating to Foreign Assets Control.

If the Foreign Assets Control is to be effective, it is essential that the Treasury Department be able to identify and block the accounts of persons acting commercially or financially as intermediaries or cloaks for blocked nationals. There are three types of cloaks or intermediaries which the Foreign Assets Control desires to block as quickly as possible:

(1) *Chinese and Korean enterprises in the United States.* U.S. corporations and enterprises which are owned or controlled in substantial part by nationals of Communist China or North Korea are themselves

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[1] Sent to Hong Kong, Taiwan, Singapore, Bangkok, Manila, and Tokyo.

[2] The Department's circular instruction of February 9, not printed, contained an amendment to the last paragraph of the circular instruction of January 26 requiring the submission of reports on violations in reproducible despatch form, under the code and title "000315, Foreign Assets Control." (611.93231/2-951) For the instruction of January 26, see p. 1888.

considered "nationals" for purposes of the Foreign Assets Control Regulations. This is similarly true of American branches of firms which have their principal office in Communist China or North Korea.

At the time the Foreign Assets Control was established, it was confronted with the immediate policy problem whether it would be desirable from an administrative standpoint to halt the operations of all Chinese and Korean business enterprises in the U.S. falling under the classification of blocked nationals, including even small Chinese laundries and restaurants, pending such time as they could apply to the Treasury Department for a special business operating license. Based upon the experience of the Treasury Department in the past war, it was decided that this would not be a practical approach. It was decided, therefore, to grant all such enterprises a general business operating license permitting them to carry on their normal business operations in the U.S. on condition that they take no action to diminish their capital.

This approach imposes a duty on the enforcement section of the Foreign Assets Control to cull out those enterprises which, on the basis of present available information, are truly likely to be operating for or on behalf of, or for the benefit of, Communist China or North Korea or nationals thereof. This would, of course, be largely based upon such factors as the Communist affiliations of the managerial staff in the United States, the degree of control from Communist China or North Korea, etc. At the present time the Foreign Assets Control does not have the factual background necessary for making such determinations and is dependent for such information on the data which other agencies may be able to supply.

Where information furnished to the Treasury Department indicates that Chinese or North Korean business enterprises in the United States now enjoying the benefits of the general business enterprise license are sufficiently suspicious in character to warrant their being placed under closer supervision, the privileges of this general license can be withdrawn and the enterprise concerned can be placed under specific licenses as restrictive in their provisions as the circumstances may require. Since such enterprises are already defined as Chinese or North Korean "nationals" within the meaning of the basic regulations, and have merely been enjoying a privilege in receiving the benefits of the general business operating license, burden of proof necessary in order to justify withdrawal of the privileges of the general license is relatively light. For this reason, among others, it is administratively desirable to take action without delay against Chinese and Korean enterprises in the U.S. which are believed to be responsive to Communist control.

(2) *Persons acting for or on behalf of Chinese or North Korean nationals.* It is anticipated that a far greater burden of proof would have to be met before action is taken to block persons other than Chinese citizens on the ground that they are acting for or on behalf of Communist China or North Korea or nationals thereof. Thus, for example, before taking action with respect to American citizens believed to be acting for or on behalf of nationals of Communist China or North Korea, the Foreign Assets Control would wish to have specific evidence of actual transactions together with information regarding the Communist affiliations or loyalties of the persons or enterprises involved. Moreover, it may be anticipated in this category of cases that the persons or enterprises concerned will be more likely to demand administrative hearings or even court proceedings in which it will be necessary to set forth formally the evidence on the basis of which action was taken.

Notwithstanding the fact that it will be necessary to have more specific evidence regarding this category of cases, it should be borne in mind that they are equally or more important than those discussed in the first category, and therefore it is highly desirable that any information regarding American and other non-Chinese cloaks be made available to the Control.

(3) *Cloaked transactions.* Through its financial and banking contacts, the Foreign Assets Control may learn of transfers of Chinese or Korean dollar assets from Chinese or Korean accounts to Swiss, Hong Kong, Swedish and similar accounts. Normally speaking, it is impossible to obtain full information in the U.S. regarding the purpose of such transfers. Thus, for example, they might represent a purchase of Swiss francs by Chinese principals, or, on the contrary, they might represent a dollar credit to a dollar account with a bank in Switzerland. In the latter type of case, it might well be asserted that there is a Chinese interest in the omnibus dollar account in the name of a Swiss bank on the books of a banking institution in the United States. Any information, therefore, regarding such transfers or regarding Chinese Communist or North Korean beneficial interests in omnibus dollar accounts would be of assistance to the Foreign Assets Control in carrying out its enforcement program.

We would appreciate your assistance by forwarding any information coming to your attention which you deem pertinent in connection with the situations described above and other aspects of Foreign Assets Control.

These instructions supplement those contained in circulars dated January 26 and February 9, and the reports submitted in reply should bear the same code and title, namely, "000315, Foreign Assets Control".

U.S. PolAd Tokyo pass copy to Diehl and Embassy Manila pass copy to May. [State and Treasury.]

ACHESON

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IO Files: Lot 71 D 440

*Memorandum of Conversations Held on March 16 and 19, Prepared in the United States Mission at the United Nations*

CONFIDENTIAL [NEW YORK,] March 19, 1951.

US/A/AC.52/17

Subject: Additional Measures Committee

Participants: Mr. John Coulson and
Mr. Dennis Laskey, UK Delegation
Mr. Francis Lacoste and
Mr. Jacques Tine, French Delegation
Sir Gladwyn Jebb (second conversation only), UK Delegation
Ambassador Ernest Gross,
Mr. John C. Ross and
Mr. J. N. Hyde, US Mission

Ambassador Gross requested this meeting to continue the discussions of the program of work for the Additional Measures Committee based on the list of questions which its bureau had prepared (confidential paper No. 2—US/A/AC.52/12).[1]

Ambassador Gross pointed out the desirability of the subcommitee, which is charged with drafting a plan of work, meeting within the next few days. He had called this meeting so that the UK, France and UK might perhaps have an agreed position before going into the subcommittee. He pointed out that the State Department considers it undesirable to attempt through the AMC to obtain additional military support for operations in Korea. It would prefer to see troops on a more selective basis by bilateral negotiations and not through an appeal in the General Assembly. He suggested that the subcommittee should simply take note of this problem in its report.

Turning then to economic measures, he wanted to impress upon our UK and French colleagues the importance which we attach to these. He referred to the policy of the US to emphasize the importance and interest it has in seeing all members of the UN apply maximum economic controls. Then he went on to state the "irreducible minimum" which the US considers consistent with our own thoughts on the matter and less than which it does not feel the UN can do. He then described a resolution calling for an embargo on the selected items mentioned in our instructions and the plan for having each member determining what items qualify together with a body for reviewing and reporting action pursuant to such embargo. He added that a committee for this purpose would review and report to the GA with appropriate recommendations in terms of operating expense. Lacoste commented at this point that France has a very different line in that it would like nothing to come from the AMC or from its subcommittee but a report. He stressed the undesirability of having any recommendations in this field originate either from this Committee or a proposed new review committee.

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[1] Not printed.

Ambassador Gross continued that the US would urge its general policy in the Committee of maximum economic controls but will take into account different points of view which might lead to the sort of resolution outlined. He stressed the importance of advance agreement to get broad sponsorship for the sort of resolution described. He restated the importance we attach to giving the highest priority to economic measures and what we consider the "irreducible minimum" in this respect.

Coulson commented that the UK would like the subsequent talks completed in the State Department before going into the substance in New York. Therefore, he would prefer to limit discussion here to the procedure for arriving at a program of work. He stated the British view that the first priority in framing such a plan should be an appeal for more support from contributing and non-contributing powers. He thought a general recommendation in this sense could be put into practice in a way consistent with the thinking of the State Department by having the Unified Command originate a request pursuant to a policy that might be formulated by the Committee itself.

Coulson indicated that he thought the Committee should get on with a discussion of additional military assistance as soon as possible; he in effect agreed with a comment by Mr. Gross that part of the British reason for this view was to delay or defer discussion of economic sanctions which he said the British basically do not feel should be discussed in the Committee at all.

Lacoste wondered whether a distinction could not be drawn between punitive measures and those that would really cripple the war potential of the enemy.

Coulson indicated that he did not believe that the question of a pure arms embargo as such had ever been put to the Foreign Office. He said the Foreign Office was anxious to avoid all publicity concerning economic measures.

Lacoste wondered whether it were not true that at least certain economic measures would help cripple the enemy effort in Korea.

Mr. Gross reviewed our objections to taking up military measures in the Committee. The publicity attendant on such a move would inevitably raise such questions as why the UN should not go further, for example, bombing of Chinese territory, making clear that we do want more military assistance. He had felt that such assistance might best be provided through bilateral channels. Mr. Gross then commented, explaining that he was speaking quite personally, that he wondered whether some very simple form of request for additional assistance might be worked out which could be disposed of in perhaps a very few days. Provision might be made for concurrent consideration of the economic measures.

Lacoste said that his Government very definitely favored the objective that a limited economic embargo should come first. He said his Government felt that the timing was very bad to issue some "sonorous appeal" for more help, particularly of a military character. He said this would have a very unsettling effect now that there was a lull, if not actually a stalemate in Korea.

Mr. Gross summarized the views expressed by indicating that there seemed to be three shades of opinion. First, the UK wanted to take up the question of military assistance first of all. Second, the French wanted to take up the question of military assistance at a later time. The US was not interested in taking up this question at all.

Lacoste explained that in the French view the question of military assistance should be taken up at the end of the list, but they would not insist that it should be taken up at all.

Coulson observed that we would be playing the Chinese game if we were "lulled by a lull". He said we should take advantage of any lull and not give the impression that we were weakening. He agreed with Mr. Gross' summary of the three shades of view expressed and said that he thought that perhaps what we should seek was a "Triboro Bridge".

Continuing the discussion on March 19, Ambassador Gross, in the light of the differing UK approach on the matter of priority, suggested combining the work on military measures with that on economic measures. He saw no complex issue involved in the study of the military questions. He suggested putting the economic measures in subcommittee and perhaps keeping the other before the full Committee. This would take care of both topics on parallel lines and avoid a possible road block. Sir Gladwyn, who was not present at the first meeting on March 16, agreed to put this suggestion to London. He commented that under his present instructions the Foreign Office dislikes even discussing the matter of economic sanctions until the

GOC has reached a result. In this connection he observed that Mr. Rusk had recently raised the issue of the 38th parallel at a briefing in Washington and suggested that there might soon be a statement on that and suggested a possible declaration. Sir Gladwyn thought this might have a considerable effect on the wisdom of going ahead with the study of economic sanctions.

Ambassador Gross felt that the time is coming when we should discuss these questions with others and he had refrained from going into it with other members of the Committee in spite of heavy pressure to do so. Jebb saw no objection to bringing in the other two members of the subcommittee, Venezuela and Australia, after perhaps one more meeting of this group, and it was agreed that the chairman of the subcommittee would then be Lacoste. Lacoste was insistent that first priority be given to economic matters, although he did not object to considering military items after that. He was impressed with Gross' argument on the reasons for not going into military matters in the GA. Gross commented that he thought bilateral discussions hold the greatest promise for obtaining greater military assistance and doubted whether an appeal would be helpful and it might cause more ill feeling. Jebb restated the UK opposition to going ahead with economic measures while there was any hope for the GOC. Coulson did not feel that the UK is in any way committed to sanctions. If they were to be considered he rather preferred the US approach of a formula that would not involve the Committee getting into a list of embargoed articles, but the UK had no further reaction from the Foreign Office on the substance of the US suggestion. He did feel that the idea of a committee to coordinate and review was too broad. Lacoste, on the other hand, preferred not having a committee at all and at least suggested the idea of a specific embargo list. Gross pointed out the endless difficulties of definition and debate that this might involve for the Committee. Coulson argued that the way to get an extension of the Coordinating Committee system of embargoes is to proceed privately with powers who are not members of that group. He is certain that India would not identify itself with any UN move and he did not think it desirable to publicize in any way the Coordinating Committee list.

Developing his thinking somewhat further, Coulson inquired what good it would do to try to repeat in the UN the very complicated and time-consuming process of drawing up lists. This was a process which took weeks of time of the experts who frequently found it difficult to agree even on a proper nomenclature in the English language. He reiterated his view that we should continue with the process of the

Consultative Committee since most of the producing countries were involved in COCOM.

It was agreed that there were two problems under consideration: (*a*) what measures the UN should recommend and (*b*) what would be the best means of implementing UN recommendations. We were assuming that there would be UN recommendations and were now discussing the question of means.

Lacoste felt that for GA recommendations to be effective, it would be essential to have some list which the customs people could use.

Jebb, assuming a general recommendation by the GA, wondered whether COCOM might secretly draw up appropriate lists which in turn, without revealing the origin of these lists, might be communicated to the AMC by some one of us. Mr. Gross wondered whether, alternatively, instead of introducing lists in the AMC, such lists might not be passed around through bilateral channels to governments concerned. Coulson and Jebb felt that it was very doubtful whether a country such as Argentina would have any idea how to proceed when confronted with a general recommendation that certain items should be embargoed (petroleum, arms, ammunition, implements of war). A good deal of our discussion centered around the question of how implements of war should be defined.

Mr. Gross wondered whether the US, UK and France might separately report to the AMC what it was doing. These lists could be used by other governments for their guidance. Coulson objected on the grounds that this might involve revealing information concerning classified items; Gross indicated that classified items could of course be eliminated from any list we might circulate.

Laskey said that if lists were circulated of items embargoed so far as Communist China was concerned the question would immediately arise of extending the embargo to the USSR. This would tend to force into the open the COCOM activities concerning the USSR and satellites.

Mr. Gross pointed out that we contemplated a GA resolution calling upon all Member Governments to give assurances that they would not negate measures taken by other Member Governments. If such assurances were not forthcoming, as in the case of the USSR, the UN might then call on all Members to embargo the items in question to the countries which refused to give such assurances.

Jebb observed that this would amount to extending the COCOM system to India since he did not at all anticipate that India would give assurances that it would not export embargoed items to Communist China. Jebb went on to say that he thought the best we could do would be to lay down broad categories and that each country would then do what it thought best.

Lacoste queried what we were really after. Were we attempting to meet the problems presented by our own public opinion or were we attempting to have a psychological effect on the Chinese Communists? Mr. Gross responded that while we felt that the moral and psychological effects of a program of limited economic sanctions might even outweigh the material effects, nevertheless, we felt that the material effects might be very great since the effect of controls was the coefficient of the severity of controls and the generality of their application. He said that in suggesting a program of limited economic controls, we were not putting forward a maximum program but only the program which we considered an irreducible minimum. We really hoped that we could get all countries to go at least as far as COCOM had gone and we hoped we could get COCOM to go as far as we had gone.

Laskey observed that the maximum moral impact would be achieved by a GA resolution but that no reporting or exchanging of lists was required because suppliers outside of the COCOM group were not important with the exception of one or two, such as Australia, which could be dealt with bilaterally. Laskey then inquired with reference to Mr. Gross' last remarks whether we had in mind a reporting and reviewing system as a means of getting people lined up for an initial program which would provide the basis for building up and extending economic measures against Communist China beyond the COCOM system. Mr. Gross made clear that we were not now pressing nor did we now contemplate such an extension of economic measures.

At this point, the hour being late, it was agreed to continue the discussion on Thursday morning, March 22.

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446G.119/2–151

## *Memorandum by the Deputy Assistant Secretary of State for European Affairs (Bonbright) and the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Secretary of State*

SECRET [WASHINGTON,] March 21, 1951.

Subject: Reply to British *Aide-Mémoire* of February 1[1] regarding United States Exports to Hong Kong

*Discussion:*

United States economic sanctions for China have created economic difficulties for Hong Kong which the British believe endanger the safety of the Colony. The British Foreign Office and the Government of Hong Kong have evolved a formula for making possible more liberal treatment of United States exports for Hong Kong without seriously impairing the effectiveness of our embargo on exports to Communist China.

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[1] Not printed, but see the summary of the *aide-mémoire* in the memorandum by Mr. Thorp of February 9, p. 1899.

We believe that the foreign policy implications of the Hong Kong problem justify acceptance of the British formula, with slight modifications, as a *modus operandi* for the Commerce Department. The Commerce and Defense Departments disagree.

Efforts have been made at the working level to reconcile State and Defense-Commerce views as to what reply should be given to the British Embassy to its *Aide-Mémoire* and how to state our Hong Kong trade policy within the context of the NSC Staff handling of NSC 104 (Report to the President on U.S. Policies and Programs in the Economic Field which may Affect the War Potential of the Soviet Bloc). It is now obvious that unless our differences can be worked out through an exchange of letters between the Secretaries of State, Commerce, and Defense, the matter will require decision in the National Security Council.

The attached letter contains a full rationale for the position which we believe the United States Government should take on this matter.

*Recommendation:*

It is recommended that you sign the attached letters to Secretary Sawyer and Secretary Marshall.[2]

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[2] See the letter to Secretary Sawyer, *infra*.

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446G.119/2–151

### *The Secretary of State to the Secretary of Commerce (Sawyer)*[1]

SECRET WASHINGTON, March 22, 1951.

MY DEAR MR. SECRETARY: Since early December when our embargo for Communist China was instituted, the British Government has been asking us to remedy the seriously damaging effects upon the internal situation at Hong Kong which were being produced by our China trade policy. These approaches, most of which were dealt with where possible on an *ad hoc* relief basis, were climaxed on February 1 when the British Embassy, accompanied by the Director of Trade and Industry of the Government of Hong Kong who came to Washington specifically for this purpose, left with us an *Aide-Mémoire* the terms of which are known to representatives of your Department (Enclosure 1).[2]

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[1] An identical letter, *mutatis mutandis*, was sent to Secretary of Defense Marshall on March 22.

On March 5 and March 15 the British Embassy again made representations to the Department for an answer to the *Aide-Mémoire* and I feel obliged to ask for your urgent consideration of and concurrence in our draft reply (Enclosure 2).[3]

The British *Aide-Mémoire* of February 1 recommended a method whereby Hong Kong's needs for imports from the United States could be met without danger that the effectiveness of the United States embargo on exports for Communist China would be significantly impaired. In brief, their proposal consisted of three parts.

1. Hong Kong Government Guarantees: The Government of Hong Kong has offered guarantees that the United States goods will not be transshipped to Communist China, before or after fabrication. Although some possibility of leakage would exist, these guarantees are the most that the Government of Hong Kong can offer, in good faith, within their capability to administer.
2. Positive List Items: Recognizing the importance to us of absolute denial of strategic goods of United States origin to Communist China, the British acquiesce in a procedure whereby all United States exports to Hong Kong of goods which qualify for our Positive List should be subjected to case by case handling pending evolution of more satisfactory arrangements, e.g. agreement upon the precise conditions for prompt licensing within established programs of Positive List items most essential for the Hong Kong economy.
3. Non-Positive Items: The British have suffered the paralyzing impact on normal commercial relationships between Hong Kong and the United States of item by item handling of all United States exports to Hong Kong. The British recommend that the Commerce Department automatically grant licenses for the export of non-Positive List items up to a volume of 75% of the volume—category by category—of 1949 United States exports to Hong Kong. British authorities believe that 75% represents the volume of imports which was consumed locally at Hong Kong or transhipped to other than Communist Far Eastern destinations.

We recognize as do the British that this *modus operandi* would entail risk of some marginal transshipment of non-strategic goods of United States origin to Communist China. Neither we nor they believe that the leakage would be large or strategically significant. Against the risk of that leakage are set far greater risks to the internal security and safety of Hong Kong to which the British and the free world generally must under present circumstances attach importance.

We believe that we should recognize in our policy the British contention that continuation of the present United States export restrictions will result shortly in shutdown of industrial plant at Hong Kong, Communist exploitation of the mass of unemployed and spreading dislocation in the internal economy. We believe that Hong Kong finds itself in a precarious position and that its loss, if it occurs, will come about as a result of military pressure in combination with internal subversion. For Hong Kong to be lost or to be placed in serious jeopardy in such a way that the United States would be held partly responsible by the official and business community in Great Britain and at Hong Kong would have serious divisive effects upon United States-United Kingdom relations not only with respect to Asia but also within the NATO structure. It would furthermore raise grave doubts in the minds of some of our other allies as to the maturity and sense of responsibility of United States leadership in this period of mounting world tensions. Such a spectacle, we believe, would lower the prestige of the free world in Asia and that of the United States throughout the free world. It would provide at the same time a rich harvest for Communist propagandists.

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[2] See footnote 1, *supra*.

[3] Not printed.

Of even greater importance is the direct interest of the United States in minimizing the risk that its policy towards Hong Kong will offer pretext to the Chinese Communists to launch offensive operations against Hong Kong, thereby presenting the necessity of a military decision to accept or ignore another challenge to the military position of the Western World in Asia. We feel, further, that if Hong Kong is lost or if conditions of serious unrest within the Colony develop, the United States would lose, not only its most fruitful remaining source of intelligence on the operations and intentions of the Chinese Communist regime but also a point of contact with mainland China, the exploitation of which, by ourselves or our allies, may contribute to the pursuit of our objectives.

We recognize that drastic treatment of the British at Hong Kong may eliminate some risks of leakage of American goods to Communist China, but to accomplish this at the political, psychological and military cost here suggested would show a lack of proportion and perspective in balancing and coordinating our foreign policy objectives.

These considerations have been discussed with representatives of the Commerce and Defense Departments most recently in connection with the National Security Council study of the State Department's "Report to the President on U.S. Policies and Programs in the Economic Field which may Affect the War Potential of the Soviet Bloc." Throughout working level discussions of the problem, one basic issue appears to divide the Department of State from the Departments of Commerce and Defense:

The controls imposed by the Government of Hong Kong represent a more comprehensive effort to support United States export controls for China than is being undertaken by any other governmental authority excepting only Japan. The Government of Hong Kong applies an embargo on shipments to Communist China of petroleum, all items on International List I, all munitions, and a range of short supply items which are on the United States Positive List, but not on International List I; it has instituted procedures for policing trade in these items and in other items in which the United States Government has or will ask that they take an interest. It is true nevertheless that acceptance of the British proposal carries some risk that exports of United States goods to Hong Kong might result in the substitution of similar or identical non-American goods in the trade of the Colony with Communist China. For this possibility to be eliminated would require the imposition at Hong Kong of controls identical in scope and severity with those being applied by the United States. The Department of State takes the stand, hitherto unacceptable to your Department, that for foreign policy reasons we should not discriminate against Hong Kong unless and until we are prepared to insist that other friendly countries impose an embargo parallel to our own on all exports to China and severely penalize them if they do not do so. I need hardly add that in the interests of obtaining the continued cooperation of friendly countries in the broadest possible area of our relations with them, this Department is opposed to any such course of action under existing circumstances.

Our export controls for Communist China constitute an important technique for accomplishing the objectives of the United States in Asia and it goes without saying that we desire the cooperation of friendly countries in supporting our policy and program. However, where voluntary cooperation is not offered, we should resort to compulsion or punishment for non-cooperation only where it serves to guard against serious threats to vital United States foreign policy interests and objectives. We do not believe that trade leakages to Communist China through Hong Kong justify the damage to United States–United Kingdom amity which would result from an attempt to compel the cooperation necessary to eliminate it completely.

You will note in the annexed draft reply to the British *Aide-Mémoire* that we are not proposing that the British recommendations be accepted in full. So far as Positive List exports to Hong Kong are concerned, we indicate that the Commerce Department should handle each license application on a case by case basis and should feel free to require very full reports as to the end-use of exports of United States origin, but should not use its inquiries as a means to apply pressure to obtain controls, not already applied at Hong Kong, over movements of commodities of a like kind from non-United States sources. So far as non-Positive List exports are concerned we are suggesting that the Commerce Department license automatically at a rate of 60% of the 1949 volume of United States exports to Hong Kong whereas the British suggested 75%. Further, we are warning the British that the operation of this formula should be kept under continuous review.

I am aware that our general policy on exports for Hong Kong is related to action by the National Security Council on the "Report to the President on U.S. Policies and Programs in the Economic Field which may Affect the War Potential of the Soviet Bloc." I am writing this letter in the hope that your concurrence in the annexed draft *Aide-Mémoire* may make possible a prompt reply to the British Government and also will serve to clarify the details of the general issues upon which the National Security Council, in due course, will wish to act.

I am addressing a letter on this subject to Secretary Marshall asking for his concurrence as well as yours in our draft reply to the British *Aide-Mémoire*. In view of the urgency of the situation developing in Hong Kong, an early reply would be deeply appreciated.

Sincerely yours, DEAN ACHESON

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**820.2-AC/3-2351 : Telegram**

### *The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET NEW YORK, March 23, 1951—4:55 p. m.

1324. Re AMC. Next round of talks with UK and French, probably on Mar 26, may raise fol questions resulting from conversation reported on Mar 19 (US/A/AC.52/17) as to which Dept's comments are requested.

1. In order to meet UK tactic of urging early consideration of military matters, it wld be possible to put economic measures in subcommittee and keep military question before full committee. After very brief discussion this might lead to simple statement of policy that additional forces as can usefully be employed by UC are desirable and, therefore, suggesting that UC might request what forces, if any, are needed.

2. In connection with UK and French thinking in direction of a list of materials to be embargoed, suggestion is made that either with or without US suggested formula the substance of the COCOM experience in the form of its list might be circulated on a bilateral basis

to other members of the committee without identifying origin or they themselves might be publicized for what they are.

3. (*a*) What wld reviewing function of proposed committee be toward states refusing to support efforts of others? We assume USSR and possibly other states, e.g., India, wld refuse.

(*b*) In this event, what wld US expect committee or GA to do? This raises question of publicizing COCOM plan or devising substitute method of publicizing and countering evasion of GA recommendation.

4. In light of Deptel 771, Mar 9,[1] what shld US reaction be to UK view that talks on substance of economic measures shld be continued in Washington before taking more than procedural decisions here.

AUSTIN

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[1] Telegram 771 to New York, March 9 (not printed), informed the U.S. Mission at the United Nations of a conversation between the Assistant Secretary of State for United Nations Affairs, Mr. John D. Hickerson, and officials of the British Embassy. Mr. Hickerson had informed the officials that with the establishment of a subcommittee of the Additional Measures Committee to arrange priorities of work, the United States would begin discreet and confidential discussions in New York on March 14 or 15 with other members of the subcommittee, and subsequently with other committee members, and would avoid haste or pressure. (320.2-AC/3-951)

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320.2-AC/3-2651 : Telegram

## *The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, March 26, 1951—7 p. m.

814. Dept's thinking re questions raised urtel 1324 March 23 fols:

1. We note UKDel has sought FonOff reaction to Gross sug of March 19 that AMC go to work simultaneously on military and economic measures. We wish to defer decision on advisability this course until Brit reaction forthcoming. In any event we wld not defer discussion of economic measures until after AMC had completed work on military measures.

2. We continue opposed to idea of circulating at this time any list of commodities to be included under our formula for selective embargo. In our view any discussion re items to be embargoed under our formula shld be deferred until GA has made recommendation to Members on basic principle. As you know, we wld in no event make ref to COCOM in discussions with non-COCOM members. COCOM list and operations have been from beginning explicitly understood to be confidential and we bound continue respect that understanding. Moreover,

COCOM list, having been drawn up for different purpose, is not suitable as such for use in this case.

3. As indicated in position paper on economic sanctions, Review Comite wld have function of reporting to GA, with appropriate recommendations, on extent of compliance with GA recommendations. We are not at this time contemplating any further authority for Review Comite, apart from weapon of publicity.

4. US will discuss substance of economic matters either in NY or Wash, at UK option, but continues eager press these discussions actively. UK Emb unaware any intention FonOff hold further talks this subject in Wash.

Acheson

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446G.119/3-3051

*The Secretary of Commerce (Sawyer) to the Secretary of State*

SECRET WASHINGTON, March 30, 1951.

MY DEAR MR. SECRETARY: The problem raised in your letter of March 22 regarding export policy towards Hong Kong has been the subject of extended discussions among the Departments of State, Defense and Commerce. The three Departments have been unable to find a common meeting ground, and the issue has been referred to the National Security Council as part of the NSC 104 paper. I, too, am anxious to reach a proper solution of this problem.

The difficulty in reaching agreement appears to stem from a difference in approach. The Defense and Commerce position is based on the premise that our embargo on goods to Communist China is sound and that we cannot permit the movement of U.S. goods, directly or indirectly, to Communist China while our military forces are engaged in armed conflict with the Communists. Because of its peculiar position as a major port of entry for Chinese imports Hong Kong is necessarily affected by our Chinese embargo policy.

We in the Department of Commerce fully appreciate the significance of Hong Kong as an outpost of the free world and we recognize the importance of maintaining the highest measure of cooperation between the United States and the United Kingdom. We agree that every reasonable effort should be made to supply Hong Kong with the commodities required for the support of its basic economy. Nevertheless, we feel bound to give the most serious consideration to the evident need to maximize the effectiveness of the embargo upon the shipment of U.S. goods to China. It was in an effort to develop a workable means of achieving these objectives that the Department drafted the proposed reply to the British *Aide-Mémoire* which was transmitted to Mr. Rusk by Mr. Miller on February 21st.[1]

I believe that it should be possible to work out a reconciliation of the views of our Departments. I have accordingly instructed officers of my Department to initiate discussions with appropriate members of your staff for the purpose of working out a reasonable solution of the present differences as rapidly as possible. It appears to me that this is likely to prove the most fruitful line of action and I hope that you will give it every necessary support. Pending the outcome of these discussions, I would suggest that consideration of the Hong Kong issue in connection with the NSC 104 paper be suspended so that the other matters dealt with in that paper can be acted upon without delay.

Sincerely yours, CHARLES SAWYER

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[1] Not printed.

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S/S Files : Lot 63 D 351 : NSC 104

### *The Executive Secretary of the National Security Council (Lay) to the National Security Council*

SECRET WASHINGTON, April 4, 1951.

NSC 104/2

### U.S. POLICIES AND PROGRAMS IN THE ECONOMIC FIELD WHICH MAY AFFECT THE WAR POTENTIAL OF THE SOVIET BLOC

References:
- A. NSC Action No. 443
- B. NSC 104 and NSC 104/1
- C. Memo for NSC from Executive Secretary, same subject, dated February 21, 1951
- D. Memo for NSC from Executive Secretary, subject, "Import Control Authority and Legislation" dated March 6, 1951
- E. NSC 91/1 and memos for NSC from Executive Secretary, subject, "East-West Trade" dated January 29 and February 19, 1951[1]

The enclosed revision of the "Recommendations on Substantive Measures" (Part II–A) of NSC 104 on the subject, prepared pursuant to NSC Action No. 443 by the NSC Staff including members from the Departments of the Interior, Agriculture and Commerce, the Economic Cooperation Administration and the Bureau of the Budget, is transmitted herewith for consideration by the National Security Council.

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[1] With respect to NSC Action No. 443, see footnote 8, p. 1879. Extracts from NSC 104, February 12, are printed on p. 1902. The remaining references here deal with broader East-West trade issues; for documentation, see vol. I, pp. 993 ff.

Paragraphs 2, 3, 4, 5 and 6 in the enclosure are intended to supersede the current policy on export controls contained in NSC 104/1.

It is recommended that, if the enclosed report is adopted, it be submitted to the President for consideration with the recommendation that he approve it and direct its implementation by all appropriate departments and agencies of the U.S. Government under the coordination of the Secretary of State, pending action by the President on the "Recommendations as to Organization" contained in Part II-B of NSC 104 in the light of the study thereof currently being made by the Director, Bureau of the Budget.

JAMES S. LAY, JR.

[Enclosure—Extract] [2]

### DRAFT STATEMENT OF POLICY PROPOSED BY THE NATIONAL SECURITY COUNCIL ON U.S. POLICIES AND PROGRAMS IN THE ECONOMIC FIELD WHICH MAY AFFECT THE WAR POTENTIAL OF THE SOVIET BLOC [3]

*Export Controls*

1. The United States should, pending further developments, continue to prohibit all exports to Communist China, Manchuria and North Korea.

. . . . . . .

9. The United States, in view of the Chinese Communist aggression in Korea, should press for the application of such international control measures as will be effective in diminishing the Chinese Communist potential for military aggression. Its effort through the United Nations and other channels should be directed to seeking, on a cooperative basis, the application by the maximum number of friendly coun-

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[2] Extracted here are only those portions of the document relating to China and North Korea. For the complete text, see vol. I, p. 1059.

[3] NSC Action No. 457, taken by the National Security Council at its 88th meeting, April 11, 1951, recorded adoption by the NSC of this document. The Secretaries of the Interior, Agriculture, and Commerce, the Acting Economic Cooperation Administrator, and the Director of the Bureau of the Budget participated in the above action with the Council, the Secretary of the Treasury and the Director of Defense Mobilization. (S/S Files: Lot 62 D 1: NSC Actions) The President approved NSC 104/2 on April 12 and directed that it be implemented "by all appropriate departments and agencies of the U.S. Government under the coordination of the Secretary of State, pending action by the President on the 'Recommendations as to Organization' contained in Part II-B of NSC 104 in the light of the staff study thereof currently being made by the Director, Bureau of the Budget." (Memorandum by the Executive Secretary of the NSC, April 12, 1951, not printed; S/S Files: Lot 63 D 351: NSC 104 Series)

tries of such controls for this purpose as the United States considers would be in the common security interest.

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IO Files: Lot 71 D 440

*Memorandum of Conversation, by James N. Hyde of the United States Mission at the United Nations*

CONFIDENTIAL [NEW YORK,] April 5, 1951.

US/A/AC.52/18

Subject: Additional Measures Committee

Participants: Sir Gladwyn Jebb, Mr. Denis Laskey and Mr. John Coulson, UK Delegation
Mr. Francis Lacoste, Mr. Pierre Ordonneau and Mr. Jacques Tine, French Delegation
Mr. David Popper–UNP, Mr. Robert Barnett–CA, and Mr. Ward Allen–EUR, State Department
Ambassador Ernest Gross and Mr. James N. Hyde, US Mission

This meeting was called by Ambassador Gross to lay a foundation for moving on with the work of the Additional Measures Committee.

1. *Military Measures*

Gross referring to Jebb's suggestion that military measures be given priority commented that we thought there were many disadvantages to involving the Additional Measures Committee in military matters but that if it were to be done it might be got out of the way at once in the full Committee. Jebb commented that he had made the suggestion because he thought military matters were a non-controversial item but in the light of the United States point of view he did not press the idea.

It was therefore agreed that no immediate attention would be given in the Additional Measures Committee to military matters.

2. *Economic Measures*

In opening this subject Gross felt there was general agreement on a program of economic measures along the lines of the United States proposals (position paper dated March 26, 1951).[1] He restated the essence of these proposals from the position paper and agreed at the request of the French to give them the substance of this in writing purely as an informal working paper.

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[1] See the attachment to the memorandum by Mr. Popper of April 12, p. 1953.

As to timing the introduction of such proposals into the subcommittee, Gross realized that no decision could be reached at this meeting, because there were other related negotiations going on which would make it impossible to decide at this moment on when to proceed. There was general agreement that this was correct. Gross went on to say that he would feel the time had come for us to discuss these measures with other delegations and Jebb and Coulson understood this, observing that they hoped we would conduct our consultations without publicity. Jebb commented that we understood the uncertainty of his Government on the desirability of sanctions. He expected to talk with the Canadians and explore with them their thinking that any measures in this Committee be strictly limited to their proximate result in Korea. It was agreed that consultations would take place forthwith and Gross felt that there would not be any particular publicity connected with our talks.

Much of the conversation was about compliance with any proposed Assembly resolution and the role of a special committee. It was agreed that the United States theory of a formula as contained in the position paper mentioning specifically only petroleum, atomic energy materials, arms, ammunition, implements of war, etc. would be agreeable. Jebb commented that he had no objection to this formula, which he termed a short list, and was willing to drop his suggestion of a detailed list since the United States disliked it. However, Coulson argued that when we come to compliance he saw certain advantages in a specific list. Lacoste commented that he sees this plan as a general measure having principally a moral aspect, because 90% of the trade with Communist China that we can control is already controlled. The remaining 10%, about which we are talking, he called a "small material thing" secondary in its importance to the moral aspect of the plan.

He went on to warn that if our plan as outlined did not command a substantial majority its mass moral effect would then be negligible and in his view it would be better to settle for the 90% control of exports which we now have and not risk a defeat on the moral issue.

Coming then to the question of compliance with the proposed formula, Barnett outlined how the plan would work. He observed that an embargo is largely in effect now. Assuming the resolution were adopted each state would indicate to the new committee what materials were covered by its interpretation of the formula. This would be a dynamic program that the Latin Americans would probably agree to, although in fact their exports to Communist China are negligible. The adoption of the resolution by the Assembly would be the acceptance of this principle. The next step would be the announcement in the

Committee of actual controls by each state. The United States would announce what it was doing. Coulson stated that the United Kingdom would state that items covered by the formula are subject to export licenses and they would not be issued. Lacoste was not able to state what the French approach would be.

Arriving at uniformity of action under the formula would be worked out bilaterally. After this the Committee would make periodic studies of controls and consider what gaps there were in the way the system was operating. If it were not possible to close these gaps by the machinery of the United Nations, efforts would be made through diplomatic channels.

It was generally assumed that the Soviet Union and probably India would not take any steps to follow the recommendation of the proposed resolution and the question would then arise how to handle this. Jebb wondered how we would know who was not complying by trans-shipment or strained interpretation of the formula and what the Committee should do about it. It became clear that the one real issue as Gross stated it was the problem of non-conformity after the committee was operating. Jebb commented that we would not desire to extend any embargo to India as punishment for non-compliance, because the resolution is merely a recommendation and neither legally nor politically would it be desirable to punish the Indians for their disregard of it. Barnett and Allen commented that it was clear that we do not intend to extend the embargo against India and this would be a problem we could approach only through diplomatic channels.

Gross commented that the Indian attitude would in no sense be a new problem, because they would be doing then exactly what they were doing now. He wondered what the committee would do about Soviet non-compliance. It occurred to him that there might come a time when the United States would want to announce in the committee what in fact we are already doing in the way of embargoing exports to the Soviet Union. Barnett commented that so far as India is concerned, our approach to non-compliance would be along the lines of scrutinizing export licenses with the possibility of trans-shipment in mind. Gross thought it was possible that there would be pressure in the committee to get the Soviet Union involved in some United Nations type embargo. He added that this would be something that the committee could undertake under its power to review and report to the Assembly with appropriate recommendations. Barnett commented that another type of recommendation the committee might make would be to broaden the scope of the embargo. For example, it might recommend that food be embargoed as a way to weaken the Red army and also items that have a dual civilian-military use, such as transportation equipment. Coulson thought that these were matters better discussed in the Coordinating Committee but Barnett thought that we would want to argue our rationale for full economic warfare against China.

The meeting closed with the understanding that we would be free to discuss this plan confidentially with other delegations and that we would confer again about the timing of presenting such a plan to the subcommittee.

James N. Hyde

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446G.119/4-951

*The Secretary of Defense (Marshall) to the Secretary of State*

SECRET WASHINGTON, April 9, 1951.

My Dear Mr. Secretary: The questions raised in your letter of March 22, 1951, concerning the existing export policy of the United States towards Hong Kong have been given full and careful consideration within the Department of Defense and have been thoroughly discussed in the Senior Staff of the National Security Council in connection with the Senior Staff's consideration of the NSC 104 paper, entitled "Report to the National Security Council by the Secretary of State on U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc."

In the discussions of the Senior Staff it quickly became apparent that the wide divergencies of viewpoint expressed by the Representatives of the several Departments involved could not be resolved in short order, although it appeared that further investigation and discussion might develop some mutually acceptable basis of agreement. Accordingly, in the interest of expediting the consideration by the National Security Council of the balance of the NSC 104 paper, containing numerous important recommendations as to which the Senior Staff succeeded in reaching agreement, it was proposed that the problem relating to trade with Hong Kong be taken out of the NSC 104 paper and made the subject of separate study and recommendations.

The Department of Defense concurs in this course of action in the understanding that the existing policy of restrictions on trade with Hong Kong be continued in effect pending the ultimate determination of the question by the National Security Council.

The Department of Defense is prepared to cooperate fully with the Department of State and the Department of Commerce in the effort to find some acceptable basis for the resolution of this difficult and complicated problem. In this connection, I believe the following observations and considerations are pertinent:

(1) Recognizing the great importance which the United Kingdom attaches to the maintenance and protection of the integrity of Hong

Kong, the Department of Defense is nevertheless reluctant unduly to associate the military position of the Western world in Asia with the retention of Hong Kong which, as your letter points, is in a precarious security position;

(2) The Department of Defense can not accept the proposition suggested in the British *Aide-Mémoire* forwarded with your letter that the United States, by virtue of its prevailing trade practices, could be held responsible to any substantial degree for the loss of or serious jeopardy to Hong Kong. According to data available in the Department of Defense, the British statements on the influence of the United States restrictions on trade with Hong Kong are greatly exaggerated;

(3) The Department of Defense is seriously concerned over the increasing volume of imports into Communist China from non-Communist nations other than the United States. This trade is providing increasing military assistance to Communist China, and thereby constitutes a direct threat to the security interests of the United States and to the UN forces fighting in Korea. The Department of Defense believes that the United States Government should press other nations for immediate denial of all commodities and services to Communist China which may be used to support military operations. Accordingly, the Department of Defense strongly believes that it is directly in our military interest to persuade other friendly countries to impose economic restrictions, parallel to our own, on all exports to Communist China.

Faithfully yours, G. C. MARSHALL

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S/S Files: Lot 63 D 351: NSC 104 Series

### *Memorandum by the Deputy Assistant Secretary of State for Economic Affairs (Linder) to the Secretary of State*

[Extracts]

SECRET [WASHINGTON,] April 9, 1951.

Subject: NSC 104/2: "United States Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc"

NSC 104/2 contains a revised version of the substantive recommendations which were originally included in the Department's recommendations to the President on "United States Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc" (NSC 104). You will recall that the National Security Council at the time NSC 104 first came before it approved the recommendation that all United States exports to the Soviet Union be brought under export licensing control and referred the remainder of the recommendation to the Special Committee on East-West Trade. As a result of the discussions in the East-West Trade Committee and in the Senior Staff, a number of recommendations have been spelled out in considerably greater detail. The recommendations as they now stand in NSC 104/2 represent full agreement of the departments and agencies represented on the Committee. Although in revising the recommendations certain modifications were made to meet the views of other agencies, it is believed that all essential points in the Department's original recommendation have been retained.

The one issue on which there has been disagreement (the treatment of United States exports to Hong Kong) has been omitted from NSC 104/2 and will be the subject of a separate report to the National Security Council. This problem is currently under discussion with the Department of Commerce pursuant to Mr. Sawyer's letter of March 30, attached as Tab A. It appears likely that a satisfactory solution to the Hong Kong problem will be possible in the near future.

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III. *Economic Sanctions Against China* (Recommendation 9)

This recommendation has been revised since it originally was placed in NSC 104. It now expresses a general goal for action to be sought in obtaining international control measures to diminish the Chinese Communist military potential. While the recommendation specifies steps that should be taken through the United Nations, the action is not intended to be limited to the United Nations channels. Since our objective is to obtain as wide an agreement as possible over controls affecting China, it seems more effective to limit our approach to controlling a selective group of strategic commodities which would enable a large number of countries to join in a common security effort, rather than to propose a complete embargo which would be so severe a measure that it would probably not command wide support by a large number of other countries.

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S/S Files : Lot 63 D 351 : NSC 104 Series

## *Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Marshall)*[1]

SECRET WASHINGTON, 10 April 1951.

Subject: U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc

1. With reference to your memorandum dated 5 April 1951,[2] above subject, the Joint Chiefs of Staff, from the military point of view,

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[1] Executive Secretary Lay, at the request of the Secretary of Defense, circulated this memorandum under a covering memorandum of April 10 to the National Security Council for information in connection with Council consideration of NSC 104/2 at its meeting on April 11.

[2] Not printed.

have no objection to those United States policies which are proposed in NSC 104/2. They note the omission of any reference to Hong Kong and Macao in this paper but understand that the problem of those two localities is being handled as a separate study. The Joint Chiefs of Staff believe that that study should recommend that the interim policy of the Department of Commerce for processing export licenses and application for Hong Kong and Macao be approved without substantive modification as United States policy.

2. The Joint Chiefs of Staff urge that the policies in NSC 104/2 be applied stringently and that new methods be sought to curtail exports to the Soviet bloc.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman*
*Joint Chiefs of Staff*

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IO Files: Lot 71 D 440

*Memorandum of Conversation, by the Officer in Charge of General Assembly Affairs in the Office of United Nations Political and Security Affairs (Popper)*

SECRET WASHINGTON, April 11, 1951.

US/A/AC.52/19

Subject: Additional Measures Committee (AMC)

Participants: Mr. C. A. Gerald Meade, Counselor, British Embassy
Mr. Ward P. Allen, EUR
Mr. David H. Popper, UNP

Mr. Meade showed us a copy of a communication from the Foreign Office to the UK Delegation in New York, containing British Cabinet views on the work of the AMC.

The British decisions were summarized in three points:

1. The major emphasis should continue to be placed on efforts to arrive at a negotiated settlement with the Chinese Communists.

2. The UK will oppose imposition of any political sanctions against China, in the AMC study, and will also make it clear that the only economic measure which the UK could support if the GOC fails would be a selective embargo on strategic materials.

3. The UK will seek to prevent an AMC report to the General Assembly until the GOC has failed, and will seek to ensure that the report does not go beyond a recommendation for a selective embargo together with any possible measures immediately related to the Korean situation—for example, additional assistance to United Nations forces in Korea.

We pointed out to Mr. Meade that the British position left us somewhat perplexed and disappointed. We wondered whether "a selective embargo on strategic materials" was consistent with the United States' formula for economic sanctions, but Mr. Meade was not able to give us specific information on the point. We also pointed out that the British position that no report should be made until the GOC fails is in conflict with the General Assembly resolution of February 1, which merely authorized the AMC to defer its report if the GOC reported satisfactory progress. As we all know, no progress whatever had been made by the GOC. It appeared that the British still believed that additional measures might provoke the Chinese Communists to continue the aggression, while our analysis indicated that they would if anything provide an additional stimulus for the Chinese Communists to seek a peaceful settlement.

Mr. Meade expressed inability to go into further detail, since he had no elaboration of the message from London. He asked us to be certain that the UK Delegation in New York did not become aware of his having communicated the substance of the instruction to the UK Delegation directly to the Department, and of course we agreed to do so.

David H. Popper

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320.2-AC/4-1251

*Memorandum by the Acting Deputy Director of the Office of United Nations Political and Security Affairs (Popper)*

SECRET [Washington,] April 12, 1951.

Subject: Position Paper on Economic Measures Against Communist China

The attached paper is a revision of the draft dated March 26. No change has been made in the recommendations, but the discussion section has been revised to take into account observations made on the March 26 draft.

David H. Popper

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[Attachment]

*Position Paper Prepared in the Department of State*

SECRET [Washington,] March 26, 1951.

## Adoption by United Nations General Assembly of a Resolution Calling for Economic Sanctions Against Communist China

### PROBLEM

On February 1, 1951 the General Assembly adopted a resolution with respect to the intervention of the Central People's Government of the People's Republic of China in Korea. Numbered paragraph 6 reads as follows:

> Requests a Committee composed of the members of the Collective Measures Committee as a matter of urgency to consider additional measures to be employed to meet this aggression and to report thereon to the General Assembly . . .

It is necessary to determine the position which the United States Representative on this committee should take with respect to "additional measures" in the economic field.

### RECOMMENDATIONS

1. In the United Nations the United States Representative on the special committee should seek the adoption of a resolution calling for the immediate imposition by all United Nations Members of an embargo on certain shipments to Communist China. The United States Representative should regard as the irreducible minimum an embargo on atomic energy materials, arms, ammunition and implements of war, petroleum, and items useful in the production of arms, ammunition and implements of war.

2. The United States Representative should seek inclusion in the resolution of provisions recommending that:

> (*a*) each Member of the United Nations determine what commodities qualify for inclusion by it in the embargo under the general formula and apply appropriate controls to such commodities to effectuate the embargo; and
>
> (*b*) each Member of the United Nations undertake not to negate the effectiveness of the embargo applied by other complying States.

3. With respect to machinery for reviewing the application and enforcement of the embargo, the United States Representative should propose the establishment of a committee to which all Members applying the embargo would report periodically on the commodities whose export is embargoed by such countries and the types of controls being applied. This committee would review such reports and report thereon, with appropriate recommendations, to the General Assembly. In the Committee the United States Representative should emphasize the desirability of having member countries take more stringent measures. The United States Representative, in discussing this proposal with other Delegations, should in his discretion suggest that it might be appropriate to confer these reviewing and reporting functions upon the special committee established pursuant to the February 1 resolution, quoted above.

4. The United States should make every effort to obtain as much advance agreement as possible with the other members of the Com-

mittee for proposals along the above lines and to obtain the cosponsorship of other key members of the Committee.

### DISCUSSION

### 1. *United States Policy and What the United States Has Already Done.*

The United States Government, in view of the Chinese Communist aggression in Korea, should press for the application of such international control measures as will be effective in diminishing the Chinese Communist potential for military aggression and as will carry the maximum weight of moral condemnation. Its efforts through the United Nations and other channels should be directed to seeking, on a cooperative basis, the application by the maximum number of friendly countries of such controls for this purpose as the United States considers would be in the common interest in fostering collective security.

The United States has applied, within its own jurisdiction, complete economic sanctions against Communist China. The successive measures needed to bring our economic relations with Communist China under control were climaxed by the Treasury Freezing Order issued on December 16 under the authority of the Trading with the Enemy Act. This order was issued after action on the policy question in the National Security Council.

Since the autumn of 1949 when Communist control of the mainland was complete there have been present within the United States two opposed theories which it was thought could govern our trade relations with Communist China. One was that maintenance of trade relations represented "a foot in the door" to be exploited, if possible, as a means for influencing Communist China to loosen its ties with the Kremlin and to seek some reasonable *modus operandi* with the countries which had the most to offer and most to gain from mutually advantageous economic relations. The other theory was that Communist China should be penalized, by economic means, for its declared hostility to the West—and particularly the United States—and should be deprived of goods which contributed to the success of a regime engaged in programs of internal political repression and foreign aggression.

The policy actually adopted by the United States from the autumn of 1949 until March 1950 combined the two theories; goods of strategic value were either prohibited or limited to quantities which represented normal civilian need, and non-strategic goods were permitted to flow freely. Our China trade policy was more liberal than that for other countries in the Soviet sphere.

In March, 1950 the actions of the Chinese Communist regime had removed the reason for drawing this distinction; thereafter China was treated on the same basis as the U.S.S.R. and the Eastern European satellites. The North Korean aggression in June produced a further tightening of United States export controls; after June all United States Positive List exports to Communist China and North Korea were embargoed.

The increasingly apparent dependence of North Korea military potential upon supplies and manpower from the Manchurian hinterland demonstrated, in our view, the wisdom of this decision. The Paris Consultative Group was, under our pressure but somewhat sluggishly, following our line of thought; in July it agreed to take the action the United States had taken in March and placed China on the same basis as the U.S.S.R. so far as its prohibited list was concerned.

Notwithstanding all these developments, the United States had not abandoned completely the "foot in the door" theory. We watched for any evidence that the Chinese Communists, by their actions, could qualify for more or less normal treatment of our trade with China. Massive Chinese aggression in late November, however, removed any such possibility. Between December 2 and December 17, the United States instituted comprehensive controls over all our economic relations with Communist China; we license no goods whatever for export to Communist China, we prohibit our ships and planes from calling at its ports or carrying any goods destined for its ports, we require offloading of United States Positive List items in transit through the United States jurisdiction, and we have frozen Communist Chinese assets within the United States.

These steps obviously constituted final abandonment by this Government of the "foot in the door" theory. Several considerations have justified resort to the alternative theory, economic warfare.

In strictly economic terms the pattern of United States exports was such that to cut them off would, we felt, produce a measurable damaging effect upon the Chinese economy. Over seventy-five percent of China's raw cotton imports were, for example, purchased from the United States. Cessation of these exports has hurt the Chinese textile industry which, as is known, is the largest productive component in the modern sector of China's industrial economy.

Second, it was felt that exports of multiple use within China—e.g. medicines and chemicals—were certain, under present circumstances, to be fed into the Chinese Communist war machine before being made available for civilian use. To permit this to occur would, we felt, represent collusion in the operations of the Chinese Red Army.

Third, it was felt that no political advantage could be realized in

Communist China by continuation of a business-as-usual attitude towards trade; on the contrary, it might well engender contempt for American lack of realism with respect to the political and military implications of China's declared hostility and overt challenge of United States rights and interests and the purposes of the United Nations in Asia.

From our standpoint there is no question that comprehensive economic sanctions against the Chinese Communists were clearly in our national interest. We recognize, however, that other countries may reach somewhat different conclusions or may reach our conclusion more slowly than we have done.

The United States Government, in view of the Chinese Communist aggression in Korea, should press for the application of such international control measures as will be effective in diminishing the Chinese Communist potential for military aggression. Its efforts through the United Nations and other channels should be directed to seeking, on a cooperative basis, the application by the maximum number of friendly countries of such controls for this purpose as the United States considers would be in the common security interest.

2. *What Other Countries are Now Doing.*

Since June-July the United States, Canada and the principal Western European Trading countries* acting through the Consultative Group have been applying an embargo on shipments to Communist China of petroleum products, munitions and an agreed list of materials of the highest strategic importance to the war potential of the Soviet Bloc. The embargo on oil shipments has had the cooperation of the other oil-producing countries such as Mexico and Venezuela. This embargo has effectively denied these materials to Communist China. Other countries are also applying certain controls. The U.S. Government will, of course, continue to use the CoCom and the diplomatic channel to increase the effectiveness of controls for the common security interest.

3. *Effect of Present Measures on Communist China.*

Current United States economic sanctions have produced a material effect on the Chinese economy. In the absence of cooperative action on the part of other nations they may decline somewhat in effectiveness. Except for raw cotton, the Chinese Communists may be able in time to procure most of their import requirements from non-American sources. Even with the additional embargo being imposed by cooperating countries, there would appear to have been limited current effect either in bringing pressure on Peiping or in affecting the combat capability of the Red armies in Korea. The theory that the Chinese Communists engaged in successful stockpiling of these items prior to the Korean war is ruled out by the Nationalist naval blockade, severe pre-existing allied trade restrictions, Chinese Communist foreign exchange shortages and the general dislocation of the Chinese economy which followed expulsion of the Nationalists from the China mainland.

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*The following countries and their colonies are applying controls of this character: U.S., Canada, U.K., France, Denmark, Italy, West Germany, Netherlands, Belgium, Luxembourg and Norway. Since these controls are being applied in a confidential manner, this fact should not be mentioned to delegations other than those of these countries. Japan is applying controls of still greater severity. [Footnote in the source text.]

4. *Effect of a Full or Selective Embargo by UN Members Against Communist China.*

Annex I gives a factual statement showing Communist China's trade. Annex II discusses the effect of a full embargo and of a selective embargo upon the Chinese economy as a whole and upon its war potential.

The fact that China is actually engaged in military operations of major importance has a vital bearing upon the effectiveness of economic warfare (i.e. total multilateral economic sanctions in the trade, finance and shipping fields) against China. A recent interdepartmental study (NIE–22, 19 February 1951) states:

[Here follow those portions of NIE–22 which are printed on page 1919.]

5. *Effectiveness of General UN Support for a Selective Embargo as Compared to Limited Support for a Full Embargo.*

As a practical matter, the effectiveness of sanctions is a function of two variable factors—severity of controls and extent of cooperation by other countries. Proceeding from the present situation where the United States is applying a complete embargo and where Western European countries are applying a limited embargo, it would increase the impact if a number of countries could be persuaded to apply sanctions. The economic and particularly the political impact would also be increased if an even larger number of countries would agree to apply the same selective embargo as the Western European countries are now applying.

6. *The Moral Effectiveness of Sanctions Will Depend in Large Part on the Number of Non-Communist Countries Applying Them.*

The major significance of sanctions may be to give concrete emphasis to the United Nations' disapproval and condemnation of Chinese Communist aggression rather than to accomplish important military or economic results. The full effects of disapproval and condemnation will not be felt in China so long as the United States acts unilaterally. They would not be fully felt if only those countries generally regarded as susceptible to United States pressure applied sanctions. The moral effect of sanctions upon Communist China will be produced in a maximum degree only if substantially all of the non-Communist members of the United Nations agree to announce their intention to apply them. Were this to occur, certain psychological and political effects might be produced in China, in the United States, and among all United Nations countries, which would equal and might surpass the economic or military value of sanctions. Such sanctions would reinforce the existing condemnation of Chinese Communist aggression by making it clear that the free world will not indirectly support that aggression by supplying the Chinese Red Army with material necessary for prosecuting the Korean campaign.

### 7. *Negotiating Difficulties: General Support for a Selective Embargo Could Probably Be Obtained.*

(*a*) *A limited embargo is already in force in many countries.*

An embargo limited to petroleum, munitions and industrial equipment useful in the production of implements of war (as well as other commodities of high strategic rating) is already being applied without announcement by the Western European countries of the Consultative Group. It would be difficult for these countries to refuse to support a United Nations resolution recommending such action.

The difficulty of persuading them to place substantially more comprehensive restrictions on exports to China is suggested by the position that the British have taken in recent discussions with United States officials. The British have strongly opposed a full embargo and expressed the hope that this idea would be discarded at the earliest possible stage. In the United Kingdom view, it would be unrealistic to expect the support of all countries (specifically India, Burma and Pakistan as probable dissenters), and the British felt that even if all countries did participate, it would not achieve the objective since they do not consider China to be seriously dependent on sea-borne imports. Thus, in the United Kingdom view, a full embargo would not alter the course of military operations in Korea, nor deflect the Chinese from further aggressive operations elsewhere. The British Combined Chiefs see the gravest political and military consequence in possible retaliation by the Chinese Communists to any effort to impose and enforce a full embargo.

(*b*) *A selective embargo would not close the door on trade in nonstrategic items which can be one of the remaining avenues of contact with the Chinese.*

Although the United States has considered and rejected this argument, it may be anticipated that certain countries may argue that some trade with China, symbolically or otherwise, indicates that there remains some slight area of maneuver within which a settlement of Communist China-Free World differences may be worked out. Sanctions, they say, would compel the Chinese Communists to orient all their relationships toward the Kremlin, economic, as well as military and political. Thus, sanctions would accelerate precisely what we are attempting to frustrate, the complete and exclusive collaboration of China and Russia in all aspects of China's national life. Many countries will say that although there may be little basis for hoping that, within the limited area of maneuver which trade relations offer, constructive developments will occur, nevertheless if there is any hope, the United Nations should not be the agency for blotting it out. Otherwise there can be no hope for anything except the permanent hostility, covert or overt, of a Soviet-dominated China. This line of argument collapses, in the U.S. view, before the importance of denying an aggressor any material support in his aggression and the political impact of a condemnation of his action.

(c) *A selective embargo makes a distinction between the Chinese people and the Red Army.*

The argument may be made by some countries that a distinction should be drawn between the Chinese people and the leaders who have thrown the Chinese Red Army into Korea. To preserve some commercial relationships may be argued to offer incentive to China's leaders to abandon their program of aggression, loosen ties with Moscow, and find in other parts of the world relationships which can better serve the Chinese people as a whole. We have observed, however, that Communist police authority has subordinated welfare to power objectives and used trade solely to serve the latter purpose.

Countries in the Asian-Arab bloc which did not support the General Assembly resolution of February 1, 1951, would find it far more difficult actively to oppose an embargo on items clearly required for the support of the Chinese Red Army than a more general embargo which would affect primarily the Chinese civilian population. If the embargo is limited to military-use items, it should be possible to induce the Arab-Asian states to support or at least to abstain on rather than to oppose a resolution recommending its application.

8. *What Specific Commodities Should be Included and What Techniques Should be Adopted.*

Annex III,[1] in discussing the types of a selective embargo which might be applied, discusses the question of what specific commodities should be included under the formula "atomic energy materials, arms, ammunition and implements of war, petroleum, and items useful in the production of arms, ammunition and implements of war". It is likely that other delegations may seek a clarification as to what this language means.

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[1] Not printed.

Experience has shown that the discussion of specific commodities, particularly in a multilateral forum, frequently gives rise to protracted argument and is apt to cloud the main issues of principle upon which agreement is desired. Accordingly, it is believed that it would be inappropriate for the United Nations to attempt to enumerate the specific commodities to which the embargo would apply, but the United States Government should use every appropriate channel for indicating to friendly countries the rationale for the economic controls which it now applies and should offer its cooperation, where invited, in discussing controls more severe than those agreed on in the United Nations. At the same time this is a matter which must be clarified in some measure in order to obtain support for the limited embargo proposed. It is therefore recommended that the resolution include a provision authorizing each Member of the United Nations to determine for itself what commodities qualify for inclusion in the embargo. Such a general provision would permit each Member to interpret the general formula as narrowly or broadly as it desired. (For example, it would give a certain United Nations sanction to the comprehensive embargo now being applied with respect to Communist China by the United States.) It will certainly make the resolution more palatable to individual Members who might be reluctant to agree to the entirety of any specifically enumerated list of commodities to be embargoed. This would not preclude appropriate review of the programs of participating governments in an appropriate forum at some later time.

Annexes VI and VII[2] discuss the technique which might theoretically be adopted to enforce embargoes of varying degrees of severity. These point out that certain techniques, such as shipping controls, fund freezing, etc., can be effective in stopping trade, but that it would be difficult to obtain wide agreement in applying them. Therefore, in the interests of securing as wide agreement as possible to acceptance of the principle of an embargo, it has been recommended that the resolution provide that each Member should apply such of its own controls as it deems appropriate in implementation and enforcement of the embargo in respect of such commodities as it has decided fall within the general formula. Such a provision will provide the freedom of action important to Members such as the United States which desire to ensure complete control over their exports to China while permitting other Members to take steps appropriate to their own particular situation.

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[2] Neither printed.

The experience of the United States has shown that where the United States considers application of controls in particular cases to be of vital importance such cases can be handled most effectively through private and *ad hoc* diplomatic discussion. The general formula approach will not preclude and might facilitate use of this technique. At the same time it will be important that some means be found to prevent action, or lack of action, by certain United Nations Members which will result in weakening the effectiveness of steps taken by states which conscientiously apply the export embargoes against China. For example, an obvious problem would arise if certain United Nations Members permitted war materials imported into their territory to be trans-shipped or re-exported to Communist China. For this reason it has been recommended that the resolution include a provision that Members should not negate the effectiveness of measures to be applied by other Member States. In short—to state the problem in terms of broad principle—one United Nations country should not subvert the controls of another United Nations country by permitting trans-shipment or re-export through its jurisdiction of particular items which that country embargoes and should not acquiesce in the enlargement of exports to Communist China through its jurisdiction of items being embargoed elsewhere. Once this provision had been adopted by the General Assembly, it would be possible through private negotiations or in the review process of the United Nations body discussed below to exert pressure upon states which failed to stop up loopholes, thus permitting the flow of commodities to China which obviously qualified for inclusion on any prohibited list.

### 9. *United Nations Machinery to Review Enforcement of the Embargo.*

As suggested in the preceding section of this discussion, the United States will, in the first instance, attempt to use regular diplomatic channels to prevent the flow of commodities of high strategic importance to China. It is likely that other delegations will raise the question of some United Nations body to carry out some review functions, and there is no reason why the use of regular diplomatic channels cannot be combined with consideration of the application and enforcement of the embargo in a United Nations forum. The United States should therefore approve conferring a review function upon some standing or *ad hoc* United Nations organ. Accordingly, it is recommended that the United States Representative should support or, if necessary, propose the establishment of a committee to which all Members applying the embargo would report periodically with respect to commodities being embargoed and the controls being applied. Such a committee would review the reports and report thereon, with appropriate recommendations, to the General Assembly. It is suggested that the precise area of such a committee's authority should be worked out in the course of consultations with other delegations on this matter. At the outset perhaps its function should be only that of receiving reports from Members. It would seem appropriate to provide for the special committee established in the February 1 resolution to assume this task.

10. *Other Considerations.*

In addition to the considerations mentioned above, the other delegations will, of course, be concerned with the effects which the application of sanctions might have upon their own situations. Accordingly, there are attached Annexes as follows:

Annex IV.[3] Showing economic effects of sanctions upon various countries which will be applying the embargoes. This Annex shows that except for Hong Kong (and Japan, dealt with separately in Annex VIII)[3] the Chinese trade is not an important factor in the foreign trade of the non-Communist countries.

Annex V.[3] Discusses effect of possible retaliation by the Chinese Communist authorities through trade restrictions.

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[3] Not printed.

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320.2-AC/4-1451: Telegram

*The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, April 14, 1951—3 p. m.

849. Confirming telecons Hyde-Popper. In Dept's view time has now arrived to take action on our proposal for economic measures against Commie China in AMC. We believe a new manifestation of UN determination to continue opposition to aggression in Korea wld have salutary effect on Chi Commies, in sense that it might help to tip scales in Peiping in favor of negotiations for peaceful settlement and against launching of new offensive.

Fol steps shld now be undertaken:

1. AMC subcomite on priorities shld be called into session soonest, if possible April 16, with view to establishing priority for consideration of economic measures in AMC. We wld accept limiting subcomite report to AMC to a statement that latter shld consider immediately and urgently possible economic measures.

2. Our recommendations for economic measures, contained in position paper dated March 26, shld be explained to all other members AMC immediately, so that they may obtain instructions thereon.

3. If possible, Dept wld wish to have AMC meet on April 18 to begin discussion economic measures, looking toward earliest approval in AMC and GA of res on this subject. Pls report reactions other Dels to this accelerated program and to US proposals.

4. We wld desire that at such meeting US Rep make initial general statement of econ measures US itself has taken and rationale therefor and that AMC begin consideration of appropriate UN action in which US Rep wld be guided by position paper. We of course desire avoid debate which wld reveal sharp divergencies among important committee members to proposed action but do not feel this consideration shld produce procrastination in scheduling meetings. Intervals between first and subsequent AMC meetings shld be no longer than minimum needed to obtain instructions on US proposal or to attempt persuade non-concurring countries to avoid open opposition.

ACHESON

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**320.2-AC/4-1751 : Telegram**

### *The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET NEW YORK, April 17, 1951—5:52 p. m.

1416. AMC subcomite meeting. After Lacoste (France) took chair, Gross urged subcomite to agree and recommend at once to AMC that first priority is additional economic measures and that AMC should promptly commence consideration of such measures, looking toward earliest GA res covering economic measures, some form of organization to review and report information from UN members and possibly make its own comments. Selective embargo proposed by US would be upon atomic energy materials, arms, ammunition and implements of war, petroleum and items useful in production of arms, ammunition and implements of war. He emphasized necessity of reaching agreement as soon as possible on series of recommendations as follows:

1. Selective embargo,
2. Establishment of UN comite to receive reports and with reviewing and reporting function,
3. To ask members to determine which of their exports fall under general formula and to undertake not to negate effectiveness of embargoes by other nations.

We felt that such an indication by UN of its determination to continue to oppose aggression, might have moral and political impact on Chi Comms, as factor inducing them to seek cease fire and to reconsider plans for offensive.

Jebb (UK) stated it continued to be policy of his government to emphasize "efforts for negotiated settlement with Peiping". In this regard, he cited north Korean "peace feeler" on which he did not place much hope but felt it might indicate something. Therefore, he felt there should be no report from AMC until it was "abundantly clear" that no hope of negotiated settlement exists. If nevertheless it were decided to press ahead, only sensible procedure in his view was some sort of selective embargo such as Gross had outlined. Basically, however, UK attitude is that taking additional measures now would make Chi Comms less willing to negotiate. He intimated, however, his government might be open to persuasion on this point. He also suggested it might be wise to ask GOC their reaction to North Korean "peace feeler".

Shann (Australia) found main point to be question of timing and not of substance. He also agreed with UK that it was important to leave "free field" if efforts for negotiated settlement were to come to fruition. In addition, he stated that to take matters on to the first comite would only result in "re-exposition of bitter divisions". Frankly speaking, Shann thought many quarters feel chances for negotiated settlement now much better and many sponsors of Feb. 1 res favor renewed efforts along that line. He agreed with UK that North Korean "peace feeler" merits observation and seconded suggestion to seek GOC's reaction.

Speaking as chairman, Lacoste stated divergence of views which appeared from these remarks were not on matters of substance of US views where indeed it is agreed, once embarking on such course, economic measures should have priority; divergence exists in view of past week's political climate and feeling embarking on course outlined by Gross would be dangerous and might nip successful developments in bud. Speaking as rep of France, he associated himself with UK's remarks that first consideration must be peaceful settlement and everything else is secondary. In summarizing, he felt one must consider two aspects of problem: agreement and disagreement outlined previously, and he questioned us in regard to its views on timing.

Gross replied substance and procedure are difficult to separate. He reminded subcomite US has placed general embargo on all shipments to Communist China. US view is that in principle it would be desirable for maximum number of members to apply maximum of economic controls over relations with China. US was aware of desirability and necessity of obtaining widest acceptance of whatever measures adopted. He stressed that proposals he had outlined were "irreducible minimum" and urgency of US program is part thereof. This was so because such measures might reasonably be adopted very soon, and questions of substance and timing were thereby closely related. He warned as more time passes, limitedness of US program becomes less practical.

As Gross understood UK point of view, GOC's progress or lack of it has more definite relationship to AMC work than US willing to recognize. Gross recalled Feb 1 res authorizes AMC to consider question of additional measures as "matter of urgency". Furthermore, AMC was only authorized to withhold report if and when GOC reported satisfactory progress. Gross stressed that emphasis was placed and continues to remain on AMC unless and until GOC reports progress. In addition, common sense favors this approach, for if work of AMC were halted or were geared to pace of GOC, this would put premium on failure of GOC. Gross urged AMC work should not be considered as starting only upon GOC failure. We had favored "careful pace, but with sense of urgency".

Jebb did not dissent from Gross' views. He argued there has been sort of "negative progress" of GOC, since it had not been turned down yet. Even if AMC makes report, Jebb cautioned this need not be positive report. In fact it could say no measures appeared worthwhile taking. He felt selective embargo was sensible course of action but only effect of such would be "slight tightening of trade". He questioned favorable psychological effect on Chi Comms and pointed out that interpretation of psychological effect was basis of divergence in views.

Shann injected another consideration in addition to GOC as relating to AMC labors. This was military and diplomatic one of declaration now being planned in Washington, London and Paris. Jebb hastened to agree with this.

Gross said it seemed obvious that subcomite was not in position to recommend a meeting date to AMC. He therefore posed some general questions to chairman.

Could subcomite agree on something? He suggested for example an agreement in principle that matter of first priority was question of additional economic measures. Secondly it might be agreed in principle that AMC should commence consideration of this question in near future. He warned it was publicly known that subcomite was meeting and if silence were only outcome implication would arise that subcomite was recommending no action be taken.

Speaking again as chairman, Lacoste pointed out debate had gone beyond terms of reference of subcomite in discussing matters of substance and general philosophy of additional measures. He felt there had been general agreement on what to do under certain circumstances. On other hand, there was deep and grave disagreement on two important points which lined up US on one hand and UK, France, and Australia on other. First there was question of timing of AMC action or when it would be appropriate to make recommendations in report to GA. Secondly there was question of likely psychological effects on Chi Comms of proposed course of action. On this second point Lacoste felt US estimate to be that peace would be favored by its course of action and hence desirable to present concrete plan of action; that, to summarize this view, softness would be detrimental to peace. In regard to Gross' questions, consideration was whether subcomite could, without fixing date for meeting of AMC, decide it would meet some time in near future with certain plan of work. This, he stressed, was particular task of subcomite to decide in accordance with terms of reference. Lacoste suggested that subcomite either adjourn and consult with govts or prepare agenda without fixing definite date. Jebb proposed compromise that subcomite adjourn until Wednesday afternoon which would give time for consultation. Then it could be suggested subcomite has agreed on program of work, i.e., proposing study of selective embargo and that AMC meet when chairman decides. Australia seconded UK's proposal. UK stressed value of meeting Wednesday so item on work of this subcomite would be in Thursday [1] papers. Gross suggested possibility of studying substantive work in subcomite and proposed an interim report by subcomite to AMC that it was preparing program of work and requesting authority to consider substantive matters. Lacoste questioned desirability of AMC meeting after so long period of silence which in effect did nothing. Jebb renewed his suggestion of meeting on Wednesday [2] afternoon. It was agreed that subcomite would meet again Wednesday 4 p. m.

AUSTIN

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[1] April 19.
[2] April 18.

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**320.2-AC/4-1951 : Telegram**

## *The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, April 19, 1951—5 p. m.

863. Dept commends ur efforts in AMC Subctee and suggests you continue to press for AMC recommendation to GA along lines position paper Apr 12. Pls broaden consultations to include those members of AMC not represented on Subctee submitting US points in form which wld make it possible for them to obtain authorization from their Govts to proceed. FYI Dept now preparing approaches to UK, Fr and Australia with view to obtaining early AMC action.

ACHESON

820.2–AC/4–2051

## *Memorandum of Conversation, by the Assistant Secretary of State for United Nations Affairs (Hickerson)* [1]

SECRET [WASHINGTON,] April 20, 1951.

Subject: Additional Measures Committee

Participants: The Right Honorable Sir Oliver Shewell Franks, K.C.B., C.B.E., Ambassador E. and P., British Embassy
Mr. C. A. Gerald Meade, Counselor, British Embassy
Mr. John D. Hickerson, UNA
Mr. Ward P. Allen, EUR
Mr. Robert W. Barnett, CA
Mr. David H. Popper, UNP

Sir Oliver called at our request for a discussion of our plan for action by the AMC in the economic field.

I outlined our proposal in some detail. I said that we thought that in the light of the terms of the General Assembly resolution of February 1 and of the situation as we saw it, it was necessary for us to press for action in the AMC. I stated that we wished to avoid public disagreement with our friends in the AMC but that we felt it was now necessary for the Committee to meet. We were suggesting April 30 as a possible meeting date; we could hardly be accused of undue haste, because by that time three months would have elapsed since the passage of the General Assembly resolution.

The Ambassador surmised that our domestic opinion might account in part for our activity—which I admitted—and noted that domestic opinion in the United Kingdom might be impelling his government in the opposite direction. Disclaiming any expert knowledge on this subject, Sir Oliver stated that so far as he knew the UK position had not been changed, and that he thought the Foreign Office views were based on three considerations on which he would be glad to have our thinking. First, without challenging our interpretation of the February 1 resolution, he gathered that the Foreign Office felt that nothing should be done in the AMC as long as there was any hope that the GOC might successfully engage in negotiations; in other words, AMC action might be prejudicial to negotiations for a peaceful settlement. Second, the Foreign Office wished to restrict the effects of the Korean problem as closely as possible to Korea itself—that is, the UK would not wish developments to flow from the Korean problem which would hamper the build-up of NATO strength or involve us more deeply in the Far East before we were prepared for action there. Third, as a general matter the Foreign Office considered that the United Nations had a dual function: it was an instrument of collective security, but also an instrument of mediation and conciliation. The Foreign Office, in this case as in others, was inclined to lay greater weight on the mediatory function of the United Nations than we were and correspondingly less weight on the punitive function. This was particularly true in the light of the increased possibility of Soviet withdrawal from the United Nations if the Soviets became convinced that the second function was being submerged.

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[1] Drafted by Mr. David H. Popper.

In replying to Sir Oliver's remarks, I stressed our view that failure to carry out the terms of the February 1 resolution might well be interpreted as evidence of weakness or timidity in Peiping and that Peiping's disposition to negotiate would if anything be decreased if it seemed that we were weak or divided. We agreed that the Korean conflict should be localized, but subject to that we were convinced that we must do everything we could to impress upon the Chinese Communists that it was in their interest to halt the aggression.

Sir Oliver then asked us whether we considered that our program would be effective from both the economic and psychological point of view, since he gathered that the Foreign Office was inclined to doubt its effectiveness on both grounds.

Mr. Barnett explained our position with regard to the economic effectiveness of a United Nations embargo on the shipment of strategic materials to Communist China. He pointed out that the complete embargo applied by the United States had been more effective than we had originally expected: it had, for example, in cutting down the Chinese import requirements for cotton by about eighty per cent, impaired an important sector of the Chinese urban economy (the textile industry). A general embargo on strategic materials would over a period of months have an increasing effect on other sectors of the urban economy, through the denial of metals, medicines, and machinery for war production. The trade statistics for February 1951 showed that existing restrictions in Hong Kong were beginning to curtail Chinese imports. A UN resolution would enable the Hong Kong authorities to justify their restrictions on trade with China, and it would enable the United States, for example, to approach countries such as Pakistan and urge them to cut off their shipments of cotton to China. In other words, an embargo resolution would enable countries imposing restrictions to make known the hitherto confidential character of the international cooperation which exists in applying such restrictions and would enable those now applying restrictions to utilize this expression of free world opinion as a means of tightening embargo controls in particular countries. Mr. Barnett stated that he would be giving more detailed information on this subject to another officer of the British Embassy later in the day.

I continued the discussion by turning to the psychological aspect of our embargo proposal, elaborating on the connection between limited economic sanctions and the prospects for negotiation. I agreed with the Ambassador's remark that we felt we must make the way of the transgressor hard if we were to induce him to seek peace, always provided that we did not extend the conflict. I indicated that for almost three months we had gone far to accommodate ourselves to the view of the UK, and that we thought it was now time for the UK to come a little distance toward us. I pointed out that our domestic public opinion problem with regard to Korea was bound up with public support in this country for our program in the Western European area generally.

Before leaving, the Ambassador noted that all of our activity with regard to the Korean problem was colored by the positions of the United States and other governments with regard to the Chiang Kai-shek regime and to a lesser degree the problem of Formosa. He pointed out that some of our activities were regarded as measures to support Chiang against the Chinese Communists rather than as measures directed against the Chinese Communists alone. While acknowledging that this might be so, I made it clear that in our view the first task of the United Nations was to meet the aggression in Korea, and that any action with regard to Formosa or the position of Chiang Kai-shek could only follow thereafter.

JOHN D. HICKERSON

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320.2-AC/4-2051

## *Memorandum of Conversation, by the Special Assistant on United Nations Affairs in the Bureau of European Affairs (Allen)*

SECRET [WASHINGTON,] April 20, 1951.

Subject: Work of Additional Measures Committee—UN Recommendations for Economic Sanctions against Communist China

Participants: Ambassador Henri Bonnet[1]
Mr. Pierre Millet, Counselor, French Embassy
Mr. John D. Hickerson, UNA
Mr. David Popper, UNP
Mr. Robert W. Barnett, CA
Mr. Ward P. Allen, EUR

Mr. Hickerson outlined to Ambassador Bonnet, who had called at our request, the US position regarding the work of the Additional Measures Committee and our desire for early action on economic sanctions.

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[1] French Ambassador to the United States.

Referring to the fact that the US has placed a full embargo on all commodities to Communist China, Mr. Hickerson said that frankly we would desire that all other countries do the same, but since this was highly unlikely at present we were prepared, in order to obtain the widest possible agreement, to propose or support a resolution providing for an embargo on atomic energy materials, petroleum, and arms, ammunition and implements of war, and items useful in their production. In outlining our view that each country would determine which of its commodities fall within the last vague category, he expressed the hope that the language would be given the widest possible interpretation. Although the countries would report periodically to the AMC on the implementation of the embargo, we did not contemplate that the AMC would, itself, communicate with individual governments.

As to the question of timing, Mr. Hickerson, referring to the three months' delay since the passage of the Resolution, explained that we felt strongly that there should be an early meeting of the AMC, on or about April 30. This would allow next week for private consultations so as to avoid, if possible, public disagreement with our friends in the Committee. We would hope the Committee could thereafter proceed with reasonable speed and report promptly to the GA on recommendations for an embargo along the above lines.

Ambassador Bonnet replied that he understood it to be his government's impression that now the AMC Subcommittee has agreed that economic measures should have priority, the Subcommittee itself would proceed to study in more detail the nature and extent of such possible measures. He questioned whether the full Committee was the proper place for this. Referring to the general character of our proposed resolution, the Subcommittee's limited terms of reference and the small size of the full Committee, we sought to remove this misunderstanding.

Ambassador Bonnet referred to the feeling in many quarters that for the AMC thus to accelerate its pace would put an end to any possibility of success of the GOC in bringing about a cessation of hostilities. Mr. Hickerson stated that we frankly disagreed with that view, held by the UK and others, and were seeking to dissuade them from it. To maintain a normal pace in the AMC work does not at all signify that the GOC has failed or should cease its efforts. It should continue to try at any opportunity so long as hostilities continue. In our judgment if AMC activity has any effect on the Peiping Government at all, it will be rather a salutary one in demonstrating the continued firm resolution of the UN not to give in to the aggressors. Recent Peiping or Moscow inspired suggestions that the aggression Resolution must be repealed before there can be a peaceful settlement indicate that the Communists may be probing for weakness and division in the UN's position. What better means of countering than that to move ahead in the AMC?

A further advantage of prompt action from the public relations point of view is to provide opportunity for France and others, in implementing a UN resolution, to publicize some of the action they are already taking through COCOM to control trade with China.

Ambassador Bonnet expressed understanding with our point of view and awareness of the impact of our domestic situation on the problem. He stated he would advise his government immediately, adding, however, that he was not unduly optimistic regarding their reaction. He felt they would probably share the UK's concern at the effect on the GOC's efforts and would not share our "guess" that AMC action would not prejudice the possibilities of peaceful settlement.

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**320.2–AC/4–2051**

## *Memorandum of Conversation, by the Officer in Charge of Economic Affairs in the Office of Chinese Affairs (Barnett)*

SECRET [WASHINGTON,] April 20, 1951.

Subject: United States Views Regarding Additional Measures Committee Action on Economic Sanctions

Participants: Ambassador Makin—Australian Embassy
Mr. Hickerson, Assistant Secretary of State—UNA
Mr. C. T. Moodie—Counselor, Australian Embassy
Mr. Allen—EUR
Mr. Popper—UNP
Mr. Barnett—CA

The Australian Ambassador called at our request for a discussion of our plan for action by the AMC in the economic field.

Mr. Hickerson reviewed for the Australian Ambassador points which he had made to the British Ambassador at an earlier meeting today (see memorandum of conversation on this subject prepared by Mr. David Popper).[1] Mr. Hickerson said that we recognized that the 12 countries represented on the Additional Measures Committee each encountered slightly different problems in working out the courses of action they would pursue, but notwithstanding that fact we believed that unanimity on our formula could be achieved. We would spend the coming week in preparatory conversations to make possible a meeting on the Committee on April 30 where prompt and unanimous action could be taken. Mr. Hickerson said that he hoped the Australian Government could assist us in these efforts.

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[1] *Ante*, p. 1968.

Mr. Makin replied that the Australian Government would not find it convenient to declare itself on the subject of economic sanctions for Communist China until after the April 28 elections. Mr. Moodie added that the Australian Government agreed, in principle, with the U.S. proposals, generally favored priority consideration of economic sanctions by the AMC, but continued to have certain reservations regarding the possible adverse impact of AMC work on economic sanctions upon efforts of the Good Offices Committee. Mr. Hickerson replied that it was our view that AMC consideration of a resolution calling for economic sanctions would help rather than hinder these efforts. We felt strongly that the Chinese should not be permitted to gain the impression that the UN countries supporting the February 1 resolution were wavering in their determination to treat China as an aggressor. At the same time, it was our view that whatever actions were taken by the AMC the GOC should remain in existence and exhaust every practical means to reach a peaceful settlement. Ambassador Makin said that he attached great importance to this statement of our attitude toward the GOC.

Ambassador Makin departed hurriedly for a meeting with the Secretary.

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**320.2-AC/4-2651 : Telegram**

*The Secretary of State to the Embassy in the United Kingdom*

SECRET PRIORITY WASHINGTON, April 26, 1951—7 p. m.

4913. UK and Fr Ambs were informed by Hickerson Apr 20 (memos pouched London and Paris) that US believes Additional Measures Ctee established by UNGA res of Feb 1 must promptly proceed to consider economic measures against Chi Commies, specifically US proposal for selective embargo on munitions and strategic materials.

Pls inform FonOff launching of Chi Commie offensive in our view ends all prospect of negotiations for peaceful settlement for present and makes it imperative that AMC meet early next week to move ahead on selective embargo proposal. Passage in AMC and GA wld signalize UN determination not to be intimidated by lawless use of force. It wld tend to increase effectiveness of existing controls by leading additional states apply them and eliminate loopholes.

Pls suggest desirability earliest despatch FonOff views to Embs Wash.

Sent to AmEmbassy Paris priority 5709, repeated for info USUN New York 880.

ACHESON

320.2-AC/4-2451 : Telegram

### *The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, April 26, 1951—7 p. m.

881. Urtel 1440 Apr 24.[1] Dept disappointed at UK and Fr del reaction to approach to Ambs in Wash re AMC. So far as we aware, this reaction not shared by Embassies here and we assume does not reflect thinking their FonOffs with regard to conversations held by Hickerson with Ambs Apr 20.

In our view Commie offensive in Korea has rendered obsolete much of argumentation hitherto used by Brit and Fr in resisting our proposal for selective embargo in AMC. Altho we have never seen any evidence of Chi Commie desire to negotiate with GOC on an acceptable basis, we admitted that effect of selective embargo proposal on negotiations for a peaceful settlement might be a matter on which opinions cld differ. Commie offensive, however, indicates to us that Commies have no desire whatever to negotiate at this time; in other words, policy of forbearance in AMC has proved a failure. What is needed now is strong evidence of continued, collective determination not to be intimidated by lawless use of force.

We believe UK and Fr shld now be willing in their own interest to make public measures they are taking to cut off flow of strategic materials to China. We note that Jebb himself alluded to UK restrictions in San Francisco speech Apr 9.[2] In our view, UN has much to gain from a proclaimed, collective recommendation to the intl community calling for a selective embargo. This wld enable us to increase effectiveness of existing controls by inducing other states to apply them and to eliminate loopholes.

Altho we still desire avoid open split with other Dels it is our firm conviction that time has now arrived when we can no longer continue to defer presentation of our program despite their objections. We cannot believe UN Members will fail to go along when asked to take entirely reasonable action designed to facilitate attainment of UN objectives in Korea. We are therefore maintaining our intention to seek AMC mtg to present our program next week, on or about Apr 30, and we wld accede to Sarper's sug of May 3 if he prefers (urtel 1450 Apr 25).[3] Pls inform him of our views.

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[1] Telegram 1440 from New York, April 24 (not printed) reported that the British and French Delegates indicated some perturbation and irritation at the Department's urging of an early meeting of the full committee of the British, French, and Australian Ambassadors (320.2-AC/4-2451).

[2] Reference is to a statement by Mr. Jebb of the position of the British Government with respect to additional economic measures, a summary of which is in *The* (London) *Times*, April 19, 1951, p. 4.

ACHESON

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[3] Telegram 1450 from New York, April 25, not printed, in part requested the Department's views on the May 3 meeting date proposed by Sarper (320.2-AC/4-2551).

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320.2-AC/4-2751: Telegram

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, April 27, 1951—6 p. m.

5645. ReDeptel 4913 on AMC. EmbOffs discussed matter today with acting head UN Dept FonOff,[1] who summarized contents FonOff tel to Franks late evening of Apr 26 to effect UK concurs AMC shld meet April 30 to consider selective embargo but also believes work of GOC shld continue, AMC shld not move precipitately, there shld be as little publicity its proceedings as possible need of declaration of aims shld be kept in mind, and that before AMC takes any definitive steps US and UK shld confer. Reaction to this msg awaited before FonOff considers further action.

In subsequent conversations at FonOff fol points emerged:

1. FonOff wants work of GOC to continue as well as AMC in order that both alternatives remain open.
2. Brit hope that if Chi offensive is blunted Peiping might be in mood to receive approach from GOC, probably after declaration of aims which cld be used to reassure Peiping.
3. In any case, Brit do not want hasty AMC action on resolution proposing selective embargo lest any chance—admittedly faint—of securing Peiping's consent disappear completely.
4. Brit rep Peiping believes that any specific embargo steps at this time will only strengthen Chi Commies inside China.
5. AMC cld do useful work in clarifying terms of ref etc without having to move quickly into proposing definite measures.
6. If Chi offensive goes well, work of AMC to take definite embargo steps cld be pushed at more rapid pace; it is reasoned resolution cld then be proposed to First Comite GA since hope of negotiated settlement wld be by then lost.

Unless GOC kept in operation Brit see no end of stalemate.

Sent Dept 5645 rptd info Paris 2148, Dept pass USUNNY as London's 77.

GIFFORD

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[1] C. P. Hope.

**320.2–AC/4–2751 : Telegram**

### *The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET PRIORITY NEW YORK, April 27, 1951—6 : 49 p. m.

1463. Deptel 881, Apr 26 re AMC. We have informed Sarper of Dept's desire that mtg AMC be called. He indicated preference for May 3 and has advised secretariat. We have also informed UK and French dels we have made this request.

Analysis attitudes dels which are members AMC leads USUN to following conclusions which we suggest Dept consider before we proceed to lay substance our suggested program on table at mtg next week with view to early substantive action by AMC and subsequently by Comite 1 and GA.

1. Of twelve members AMC we are at moment reasonably assured that only four (Brazil, Philippines, Turkey and Venezuela) will support our position. Australia may or may not support; in present circumstances we cannot count on their support as certain. Our guess is that Mexico would abstain (*a*) from conviction, and (*b*) on excuse Padilla is member GOC. We do not see that we could get better than seven votes out of twelve, unless UK and France could be won over to support our position. It is clear that UK, France, Egypt, and probably Belgium and Canada are at present opposed.

2. We therefore risk (*a*) losing the vote in the AMC and the substance of our position, or (*b*) achieving at best a majority by thinnest possible margin. In our view it would be a mistake to push ahead in AMC on substance without assurance of British and French support.

3. To lose the vote on this issue would be disastrous. We wonder whether in either case (lose, or win by very narrow majority) the result could be described as "strong evidence of continued collective determination not to be intimidated by lawless use of force". In either case we question whether the result would not (*a*) play directly into the hands of the Communist propagandists and give aid and comfort to the Chi Coms; (*b*) give evidence of disunity and disharmony in the UN which would greatly weaken the prestige of the organization and its effectiveness as an instrument of collective security in Korea and elsewhere; and (*c*) lay our closest friends open to renewed wave of attacks which could only serve further to weaken fabric of free world solidarity.

AUSTIN

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**320.2–AC/4–2851 : Telegram**

### *The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, April 28, 1951—noon.

887. UK Emb informed Dept Apr 27 UK wld agree to AMC mtg

Apr 30. Added, however, UK wld object strongly to AMC moving quickly and reporting at once to GA First Comite. UK hopes AMC will hold "occasional" mtgs and wishes opportunity for further consultations like those now under way so that prior to preparation AMC report future action may be reviewed in light circumstances then prevailing.

Emb reps were informed we were arranging AMC mtg with Sarper, probably May 3. Dept reps naturally agreed there must be full discussion of proposals but emphasized Dept view AMC shld now proceed to act. Further details by pouch.

Reptd info AmEmbassy London 4953.

ACHESON

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320.2-AC/5-151 : Telegram

*The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, May 1, 1951—3 p. m.

888. Dept appreciates force of considerations raised urtel 1463 Apr 27. Similar considerations have underlain Dept's policy of delay in AMC work since Feb 1 and are in large part responsible for modest nature of our proposals.

We have, however, now reached conclusion that, damaging as a revelation of disharmony in UN may be, still greater damage will be done if we do not publicly take stand that UN shld adopt econ measures to supplement mil operations against aggressors. We hope that when our proposals are put up for actual vote, our friends will come to accept our view that failure of UN to take such action will go far to destroy credit of UN in US and other member states and will correspondingly reinforce Chi Commie conviction they can successfully defy UN. This cld have serious effects on whole effort to build effective collective security for free world.

As stated Deptel 887, Apr 28, we will expect full discussion our proposal in AMC, although we cannot agree to dilatory tactics. If you consider it desirable, we wld refrain from introducing draft res at first AMC mtg, but wld merely set forth substance of our position. However, since AMC members are already fully familiar with our ideas, we cannot see how we cld fail to introduce res at fol mtg, possibly May 7.

Without raising matter with other Dels, pls give us soonest ur views re possibility obtaining co-sponsors in AMC for res on econ measures.

ACHESON

320.2–AC/5–151: Telegram

### *The United States Representative at the United Nations (Austin) to the Secretary of State*

SECRET PRIORITY NEW YORK, May 1, 1951—6:27 p. m.

1470. Re: AMC. At Jebb's request Ross and Hyde met with him and Lacoste to hear UK instructions. Ross stated Gross would handle item at May 3 meeting, returning from leave May 2.

Jebb emphasized the great importance which the UK attaches to a declaration of UN aims in Korea "to which all would subscribe". UK feels this is directly tied up with question of any report from AMC to GA political comite. UK would not be prepared to vote for any selective embargo report by AMC to political comite unless and until such a declaration were issued. He understands US opposes a declaration during a ChiCom offensive and did not dissent from this view but noted offensive now seems blunted.

He suggested one main objection to US plan for selective embargo is idea of vague formula with each state deciding what falls within it. He suggested general debate in AMC or sub-comite looking toward a short specific list of items to be embargoed. Developing in detail US formula is too vague and subject to objection by Asians. It could be clarified by debate. Hence US as sponsor would have to give COCOM List One in disguised form. He suggested therefore putting in COCOM List One at outset as basis for short list comprising items clearly having direct relation to war effort. This would avoid later difficulties for members in reporting. UK would have difficulty reporting under US formula because some export controls now in effect are to implement UK currency and supply policy as distinct from Korean policy. Hence US formula would create UK operating problem under COCOM List Two providing quantitive controls. Lacoste agreed that a short itemized list is far preferable to US formula.

Fact to be kept secret is restriction on exports to Soviet bloc. If short list were used UK would justify denial of exports to Soviet bloc on theory these exports might have ultimate destination PRC. India (possibly other Commonwealth countries) presents special problem, and UK would have strong objection to withdrawing open general license to a Commonwealth member. UK would probably informally ask firms to refuse Indian (or other Commonwealth) orders on evidence of PRC as ultimate destination.

We commented generally that the US formula would permit immediate action and reserve these questions for negotiation and the proposed permanent comite. The advantage of the formula would be flexibility by allowing members broad or narrow interpretation.

Lacoste questioned whether proposed selective embargo would be an encouragement or deterrent to PRC in light of divided views of AMC members. If it must come up in AMC his instructions of a week ago, which he recognized might be subject to change, direct him to press for sub-comite consideration of substance of economic measures. This is because his govt feels subject should not be debated in AMC in spite of military offensive, lack of progress of GOC and attitude of PRC. France opposes going ahead with public acts which it feels will further antagonize PRC.

Ross recalled Bonnet's suggestion to Hickerson of sub-comite action and stated that US opposition to this tactic continues. He felt US had shown great patience in light of ChiCom rebuffs to Entezam and offensive. Lacoste saw a serious risk of a division of opinion coming clearly to light in AMC, whereas time might compose it. He had greatest difficulty with idea of report to political comite. He saw opposition to US program in AMC by UK, France, Australia, Canada and Egypt. The sub-comite idea is a sound face-saving device when members are hesitant to proceed in AMC. He would be willing to debate these various points in sub-comite.

Re sub-comite suggestion Jebb had no objection but no strong feeling. If the US opposed tactic it would be impossible. Jebb projected AMC tactics as first a debate on sub-comite report and probably approval. Then UK and others would discuss selective embargo. He hoped would have first agreed on short list of items or else general formula. This would take time. Then and only then should a draft resolution be put forward. There would then be agreement on declaration of UN aims. This course will in ensuing days provide some publicity and sense of activity.

Hyde, speaking personally, wondered whether UK concern at stating publicly and immediately what it is doing in support of UN forces in field is not based on misreading of League of Nations experience with sanctions. There the sanction was a political end in itself which UK felt dangerous as leading to hostilities. Here immediate step is to publicize with UN cachet action already taken in support of troops to see to it our own forces are not faced with own material in ChiCom hands. This is a basic supplement or corollary to a UN action. It does not involve political decisions League faced with on sanctions. It is part of the collective security function of UN as now operating. It is parallel to mediation functions which we recognize should and will continue. Jebb and Lacoste thought this might be useful basis for consideration of US plan. Jebb attempted to state selective embargo as a preventive measure rather than sanction in League sense.

Austin

IO Files: Lot 71 D 440

### *Statement by the United States Representative on the Additional Measures Committee (Gross)*

CONFIDENTIAL [NEW YORK,] May 3, 1951.

US/A/AC.52/28

MR. CHAIRMAN: The business before us today is the report of our Subcommittee. In that report the Subcommittee unanimously recommended that when the full Additional Measures Committee took up again the examination of additional measures to repulse the aggression in Korea it should give priority to the study of economic measures. At our meeting on February 15 I suggested that the task of this Subcommittee would be to devise a program of additional measures which would give support to the forces of the United Nations and help in bringing about genuine negotiation and peaceful settlement. The numerous consultations and exchanges of view which are mentioned in the Subcommittee's report showed that, of the whole range of possible additional measures, economic measures could be most speedily agreed to and most effectively applied.

Let me recall briefly what the United States itself has done in its economic relations with the Chinese Communists. As things now stand, we license no goods for export to Communist China, we prohibit our ships and planes from calling at its ports or carrying goods which are destined for Communist China, and we have frozen Chinese Communist assets within the United States. We believe that this is a sound policy. We believe that it is in the interest of peace and of collective security and therefore is in the interest of all peace-loving nations.

Several members of this Committee have already taken concrete steps in this field to support the United Nations effort to weaken the capacity of the Chinese Communists to continue their aggression in Korea. For example, the Philippines has imposed a complete embargo on trade with Communist China. Australia has imposed a strategic embargo. Our colleague, Sir Gladwyn Jebb, pointed out last month in San Francisco that the United Kingdom does not permit the export of arms, munitions or strategic goods to the Chinese Communist Government, whose troops are fighting against United Nations forces. I stress the fact that these are examples.

I hope that as our work goes on we shall keep in mind the potential advantages of a full embargo as an instrument which may help us achieve our purposes in Korea. Such an undertaking, of course, presents complex economic issues and administrative problems which are not to be worked out in a day or a week, as our consultations have abundantly shown. The effectiveness of economic measures depends on two factors: first, what the measures are; second, how widely the measures are adopted. In the view of my government, it will be more effective if most of us agree now to a strategic embargo rather than having a smaller number of us agree to a complete embargo. The United States therefore urges a program which can be immediately and effectively applied on the widest possible scale.

The United States is strongly of the opinion that this Committee should recommend to the General Assembly the imposition by all states of an embargo on the shipment of war materials to Communist China. We have in mind a formula which would call for the embargo of shipments to Communist China of arms, ammunition and implements of war; petroleum; atomic energy materials; and items useful in the production of arms, ammunitions and implements of war. These are items which would be of immediate consequence on the Korean battlefield. To cite only one example, the denial of petroleum to the Chinese Communist armies would have a serious effect on their mobility. We believe the formula should be flexible: therefore, we suggest that this Committee recommend to the General Assembly that each state determine for itself what specific commodities it would embargo under this formula, and what controls each state would apply to make the embargo effective. We believe further that the resolution should recommend that each state would undertake not to nullify, through trans-shipment, re-export, or enlargement of its volume of trade, the effectiveness of the embargoes on commodities applied by other complying states.

In our view, such a resolution should also create machinery to keep the program under continuous review and to determine the effectiveness of these economic measures. This would suggest the establishment of a Committee—perhaps this Committee itself—to which all states complying with the resolution would report periodically on the measures they had taken. The Committee would review these reports and consider the appropriateness of the measures taken in the light of changing circumstances. By so doing it would be able to assist the General Assembly to arrive at sound recommendations aimed either at increasing the scope of the embargo or terminating it entirely if there were a cessation of hostilities and a peaceful settlement in Korea.

My government believes that this plan conforms to the common interest and would further the successful functions of the United Nations collective security system. My government believes it is now time to record the actions some United Nations members have already taken, to widen through cooperation the scope of such measures, and in this way to support the activities of the United Nations forces in Korea.

I do not believe that any member who supports the United Nations action in Korea will object to recording the determination that no United Nations soldier fighting there should be the target of a bullet manufactured in the free world. The program I have outlined does not involve the problem of sanctions as it arose in League of Nations experience. There the economic measure was an end in itself. Here the situation is entirely different. The United Nations is already using armed force. What my government now proposes is a supplementary measure to ease the pressures being brought to bear upon United Nations forces in the field. The program I have outlined is designed not only to limit the fighting to Korea but to help bring it to a conclusion there.

Beyond this, we believe that to proclaim our collective agreement on such measures will impress upon the Chinese Communist regime and their supporters the unity of our purpose and our determination to repel the aggression. We should not under-estimate the effect such a demonstration of strength and solidarity would have on the forces of aggression.

The United Nations has dual functions. It is a system for collective action to repulse aggression, and it is an organization for the peaceful adjustment of disputes. One function does not exclude the other; the two run side by side. Where they converge—where effective resistance to aggression opens the way to peaceful adjustment—true collective security may be found. It is from this viewpoint that my government views the function of this Committee and of the Good Offices Committee. The Good Offices Committee has unfortunately been unable to report satisfactory progress in its efforts up to date. But we must not lose hope, nor withdraw our support of its efforts, nor put it in the position of having failed or of being no longer available. Action now upon the program we propose does not signal failure of the efforts of the Good Offices Committee or of the President of the General Assembly to find the basis for a peaceful solution.

In the view of the United States, it is only firmness and decision, unity and strength, which will induce the Chinese Communists to negotiate. They must be brought to recognize that it is in their own interest to cease their aggression. What I have suggested is a step designed to help bring them to this realization. It is a step for collective action in support of the United Nations forces and in support of the Charter. It is a step, my government hopes, which may help persuade the Chinese Communists to seize the opportunity offered them by the President of the General Assembly and by the Good Offices Committee to arrange a cease-fire and enter into arrangements for ending the aggression and guaranteeing against its resumption.

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320.2-AC/5-551 : Telegram

## *The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, May 5, 1951—3 p. m.

903. Urtel 1487, May 3.[1] While we admit there may be some advantage to specificity, we believe great difficulties of both substance and procedure wld be created if UK proposal for specific list of items to be embargoed were pursued in AMC at this stage as substitute for present US formula. We wld, as Jebb indicated, have to press for inclusion of rubber as well as other items useful in production of munitions and for defining or broadening scope of other terms such as "military vehicles". You might point out to Jebb that, apart from merits desirability controlling rubber, in view recent publicity UK shipments, any specific list on which it was not included would be subjected to great public criticism. We note Jebb feels that if US insists on inclusion such items, UK wld probably prefer existing US formula and therefore hope they can be persuaded do so.

Moreover, if any suggestion for specific list were pursued in AMC at this stage we fear debate on these substantive points might effectively delay for weeks UN action on which agreement in principle wld exist, solely because of disagreement of detail. US proposal is designed to work out detailed matters of substance through review machinery provided in draft res, after basic action has been taken. However, as possible compromise, we wld not object to adding all items mentioned by UK as illustrative of our gen category "items useful in the production of arms, ammunition and implements of war," so long as it can be made clear that the list is not exhaustive. We doubt, however, that this wld prove more satisfactory to UK than our general formula alone.

Dept wld oppose sug for circularization of members prior to UN action, made by Holmes (Canada). We fear it wld entail long delay and are by no means certain COCOM countries wld wish to communicate to other UN Members precise nature of their existing controls over trade with Chi Commies.

ACHESON

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[1] Telegram 1487 from New York, May 3 (not printed) reported on the Additional Measures Committee meeting of May 3 in which Mr. Jebb submitted a specific list of items which the British Government recommended for embargo. The list did not, Mr. Jebb pointed out, contain the item "rubber." (320.2-AC/5-551).

**493.419/5-551 : Telegram**

### *The Secretary of State to the Embassy in the United Kingdom*

SECRET PRIORITY WASHINGTON, May 5, 1951—4 p. m.

5061. Urtel 5731[1] states FonOff view UK Cabinet may agree AMC action on economic embargo particularly if can receive some assurance that this is not merely opening wedge for complete embargo. We cannot, of course, give categorical assurance this nature regardless of future circumstances or developments. However, if you think necessary in order persuade UK agree support fully immed action AMC and GA on US proposal, you are authorized state that, barring significant change in circumstances (for example, large scale air attacks), US does not presently contemplate pressing GA to pass res recommending complete embargo.

Rpt USUN NY for info 904, rpt AmEmbassy Paris for info 5888.

ACHESON

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[1] Telegram 5731 from London, May 3, not printed (795.00/5-351).

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### *Editorial Note*

On May 7, the United States Representative introduced in the Additional Measures Committee a draft resolution which, on May 14, after certain emendations, was approved by the Committee for submission to the General Assembly. For documentation on the negotiations within and outside the Additional Measures Committee during the period May 7–14, see Department of State decimal files 320.2-AC, 493.009, and 493.119. For the text of the draft resolution, as approved, see the report of the Additional Measures Committee, U.N. document A/1799.

The First Committee of the General Assembly considered the draft resolution at its 443d and 444th meetings on May 17. An amendment (A/C.1/662/Rev. 1) to add "transportation materials of strategic value" to the proposed embargo list was submitted jointly by Australia, France, the United Kingdom, the United States, and Venezuela. This amendment was adopted by 45 votes to none, with nine abstentions. The draft resolution as a whole, as amended, was adopted by 45 votes to none, with nine abstentions.

The report of the First Committee (A/1802) was considered by the General Assembly at its 330th plenary meeting on May 18.

611.93231/5-551 : Telegram

### *The Secretary of State to the Consulate General at Hong Kong*

CONFIDENTIAL WASHINGTON, May 7, 1951—6 p. m.

3678. Contel 3286 May 5.[1] FYI fol is approx text ltr Apr 26 from Sec State to Secy Treas:

"Dept has engaged in extensive consultations with Treas re nr of problems arising out of presence of Amer missionaries and reps of Amer business enterprises in continental China. On basis our consideration these problems, Dept has reached conclusion that from point of view of conduct of Fon affairs of US it wld be desirable for this Govt to operate its financial controls with respect to China in such way as to avoid hindering exit from China of Amer missionaries and reps Amer business enterprises, notwithstanding fact that operation of controls in this manner will have effect of making available to Commie China some Fon exchange which might otherwise be unavailable. It is felt that long run interests of US wld be best served if steps were taken which wld have effect of permitting these people to meet such of their obligations as wld facilitate their efforts to get out of Commie China. An opposite course might lead to such persons being held as hostages, subj to extreme forms of pressure and thus further exacerbate existing situation.

It is our understanding that at present time Fon Assets Control is being presented with nr of applications relating to these persons. One class of applications is understood to relate to Amer business enterprises which have branches or subsidiaries in Commie China having one or more non-Chi reps whose exit permits from China are being withheld by Commie Chi. These firms and reps have outstanding against them various Chi claims of one sort or another. It is our view that at present time it wld be desirable for Fon Assets Control to grant licenses in this class of case authorizing payment of outstanding claims whenever (1) reps of Amer business enterprises have applied for exit permit from China and taken all possible steps necessary to qualify for receipt of such permit; (2) applicant asserts to best of his knowledge and belief claims being made by Chi represent totality of claims which will be made against persons and enterprises involved; and (3) claims being pressed appear to have some color of validity and represent more than bare effort to extort funds. In accordance with usual policy of urDept on payments to China, it is suggested that wherever possible licenses shld require that remittances be effected through some currency other than US dols.

Is believed that licenses under preceding para shld be granted notwithstanding fact that sums requested by Chi are substantial. However it is requested that any application to satisfy claim in excess of $100,000 shld not be granted without further discussion between our two Depts. It is our view that at this time licenses shld not be granted if they wld entail taking of any action which wld be deemed by Treas to establish any precedent prejudicial to overall Fon Assets Control program.

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[1] In telegram 3286 from Hong Kong, May 5 (not printed), the Consul General inquired about a Treasury license granted to the Bank of America for the remittance of funds to the Shanghai office of the American President Lines (611.93231/5-551).

It is felt that same policy *mutatis mutandis* shld be followed in case of applications for payments of claims against Amer missionaries in China who are awaiting exit permits from that country.

Policies set forth in this letter are of course subj to reconsideration from time to time. It is our present view if, after sufficient period of time, payment under Treas license by private persons of Chi claims against Amer business enterprises and missionaries does not result in granting of exit permits by Chi it will be desirable to cease issuing licenses authorizing such payments."

Policy guidance in above ltr was worked out after extensive consideration of problem by both Depts and consultation with private Amer interests.

Treas license to Bank Amer San Francisco to remit funds to apl office Shanghai, in which Dept concurs, was issued pursuant above ltr.

ACHESON

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**320.2-AC/5-1551 : Telegram**

## *The Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, May 15, 1951—7 p. m.

928. Confirming Ross-Popper[1] telecon, we note Fr now seeking induce other dels accept addition to formula contained in recom A of selective embargo res of "transportation materials of strategic value." We also note movement now under way to have language proposed by Fr sponsored at least by the 5 members of AMC SubComite on Priorities (US, UK, Fr, Ven, Australia) and possibly by 11 AMC members who voted for draft res.

While we wld prefer that if any change is made in existing formula, it be limited to words "transportation materials" alone, we wld go along with change now suggested by Fr if all other SubComite members agree to joint sponsorship.[2] In this case, however, we wld wish the new language to be inserted in formula after word "petroleum" and before "items useful in production of arms, ammunition and implements of war." FYI we wish to be completely free to press for complete embargo on shipment of transportation materials to Chi Commies at appropriate time, in future review activity of AMC, as well as otherwise, and cld not accept inference that present language of our formula or of new transportation category wld preclude a discussion of considerably widening scope of embargo.

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[1] Mr. Popper had been appointed Deputy Director for International Organization Affairs in the Office of United Nations Political and Security Affairs on April 23, 1951.

[2] The limiting phrase "of strategic value" was added as the result of a strong British protest. (Telegram 6112 to Paris, May 16, not printed; 493.009/5-1551)

ACHESON

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493.009/5–1551 : Circular telegram

*The Secretary of State to Certain Diplomatic and Consular Offices*[1]

SECRET WASHINGTON, May 15, 1951—7 p. m.

706. Res calling for a strategic embargo against Chi Commies and North Koreans was adopted in UN AMC May 14 and is being referred to UNGA Pol Comite now scheduled meet May 17. Vote in Pol Comite may take place May 18. GA plenary action soonest thereafter. Text of res in Wireless Bulletin No. 117 May 14.[2]

Dept considers highly important obtain largest possible affirmative vote in Pol Comite and plenary GA. Unless you perceive important overriding objection, urgently approach FonOff expressing hope del will vote in favor of res. Fol points may be made together with such other points as you consider may be locally persuasive:

1. Res if approved with impressive show of unity will have important pol and moral effect in convincing aggressors of UN determination persevere in combatting aggression. Every UN Member has direct interest in development and strengthening of UN ability to repel aggression.

2. Res specifically directed at warmaking potential of aggressor armies, and designed to have minimum effect on civilian economy. Purpose is to ensure no UN soldier fighting in Korea is target of bullet manufactured in free world.

3. In effort avoid steps which might prevent peaceful settlement Korean problem or interfere with efforts UN GOC created by Feb 1 res of UNGA, UN has refrained for more than three months from applying additional measures to supplement mil effort in Korea. Events during interval since Feb 1 have indicated clearly Chi Commies not now ready agree peaceful settlement. In our view additional evidence of UN determination repel aggression is best means inducing Chi Commies seek end of fighting and solution Korean conflict on acceptable basis.

4. Considerable number UN Members have already applied strategic embargo unilaterally, as measure implicit in their obligation combat

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[1] The file copy does not indicate to which posts this message was sent.

[2] The text of the resolution as adopted by the General Assembly on May 18 is printed *infra*.

aggression against UN. US has applied complete embargo. UN action now will help coordinate individual actions and help close loopholes in strategic embargo.

[Here follow specific points to be added for New Delhi, Karachi, Jidda, Stockholm, and Belgrade.]

ACHESON

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## *Resolution 500 (V), Adopted by the United Nations General Assembly, May 18, 1951*[1]

*The General Assembly,*

*Noting* the report of the Additional Measures Committee dated 14 May 1951,[2]

*Recalling* its resolution 498 (V) of 1 February 1951,[3]

*Noting that:*

(*a*) The Additional Measures Committee established by that resolution has considered additional measures to be employed to meet the aggression in Korea,

(*b*) The Additional Measures Committee has reported that a number of States have already taken measures designed to deny contributions to the military strength of the forces opposing the United Nations in Korea,

(*c*) The Additional Measures Committee has also reported that certain economic measures designed further to deny such contributions would support and supplement the military action of the United Nations in Korea and would assist in putting an end to the aggression,

1. *Recommends* that every State:

(*a*) Apply an embargo on the shipment to areas under the control of the Central People's Government of the People's Republic of China and of the North Korean authorities of arms, ammunition and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition and implements of war;

(*b*) Determine which commodities exported from its territory fall within the embargo, and apply controls to give effect to the embargo;

(*c*) Prevent by all means within its jurisdiction the circumvention of controls on shipments applied by other States pursuant to the present resolution;

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[1] Approved by the General Assembly at its 330th plenary meeting on May 18, 1951 by a roll-call vote of 47 to none, with 8 abstentions (Afghanistan, Burma, Egypt, India, Indonesia, Pakistan, Sweden, and Syria) and 5 not participating in the voting (the Byelorussian SSR, Czechoslovakia, Poland, the Ukrainian SSR, and the USSR).

[2] U.N. document A/1799.

[3] For text, see p. 150.

(*d*) Co-operate with other States in carrying out the purposes of this embargo;

(*e*) Report to the Additional Measures Committee, within thirty days and thereafter at the request of the Committee, on the measures taken in accordance with the present resolution;

2. *Requests* the Additional Measures Committee:

(*a*) To report to the General Assembly, with recommendations as appropriate, on the general effectiveness of the embargo and the desirability of continuing, extending or relaxing it;

(*b*) To continue its consideration of additional measures to be employed to meet the aggression in Korea, and to report thereon further to the General Assembly, it being understood that the Committee is authorized to defer its report if the Good Offices Committee reports satisfactory progress in its efforts;

3. *Reaffirms* that it continues to be the policy of the United Nations to bring about a cessation of hostilities in Korea, and the achievement of United Nations objectives in Korea by peaceful means, and requests the Good Offices Committee to continue its good offices.

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**493.009/5–2451 : Telegram**

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, May 24, 1951—7 p. m.

6138. Tel from Brit rep Peiping[1] to FonOff reports substance conversation Panikkar[2] reported he had May 22 with CPG Vice FonMin. Chang accused UK of being double-faced in supporting UN embargo. Chang ignored Panikkar's retort CPG attitude had not been helpful in promotion friendly relations with UK. Panikkar expressed hope CPG wld not retaliate by promoting difficulties in Hong Kong such as strikes or civil disturbances. Chang replied CPG might have to impose sanctions (perhaps he had in mind seizure Shell property or was contemplating additional sanctions) but that he had no desire to see Hong Kong other than prosperous. Chang added govt Hong Kong obviously more worried than he.

Lamb unable assess meaning this rather cryptic conversation, unless CPG intended for time being exercise moderation re Hong Kong.

GIFFORD

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[1] Sir Lionel Henry Lamb was British Chargé d'Affaires at Peking.

[2] K. M. Panikkar, Indian Ambassador to the People's Republic of China.

102.201/5–2951

## *Memorandum of Conversation, by the Director of the Policy Planning Staff (Nitze)*

TOP SECRET [WASHINGTON,] May 29, 1951.

Subject: State–JCS Meeting

| Participants: | | |
|---|---|---|
| | General Bradley | Admiral Lalor |
| | General Haislip | Colonel Baer |
| | General Twining | Colonel Carns |
| | Admiral Sherman | Mr. Matthews |
| | General Taylor | Mr. Nitze |
| | General White | Mr. Rusk |
| | Admiral Duncan | Mr. Harriman |

[Here follows a discussion of Yugoslavia and of developments in Korea; see page 470.]

Admiral Sherman then raised the question of a U.N. naval blockade with respect to China. He said that 7 ships were on the way to China with what might be called contraband. He said 39 Panamanian ships, largely owned by Greeks, were engaged in the China trade. General Bradley suggested that the best way to enforce the embargo was to get the British to do so through Hong Kong. Admiral Sherman said that this was a seamy business and that he was coming around to the view that an honest-to-God naval blockade would be advisable. General Bradley said he thought we should attempt to solve the problem in the way we were, if that were possible; otherwise, additional measures might be necessary. Mr. Rusk suggested the possibility of an association to enforce our own regulations. Admiral Sherman said that he didn't think this would be good enough. One must make it bite on Indochina, the Panamanian ships, etc. Mr. Rusk said that the U.N. naval blockade would not be possible until after further political moves in the direction of negotiations had been given a chance.

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320.2–AC/6–551 : Telegram

## *The Deputy United States Representative at the United Nations (Gross) to the Secretary of State*

SECRET PRIORITY NEW YORK, June 5, 1951—4 : 32 p. m.

1606. Re AMC. During course of conversation with Jebb at end last week on Chinese representation question he inquired with reference to the Admiral Sherman testimony [1] whether we had in mind discussing any further additional measures with view to taking them up in AMC. I said we did not know of any immediate plans in this direction. I expressed view that prior question was whether UN members would agree to complete econ embargo. If not, they would clearly not agree to blockade. On other hand, if they agreed to embargo, problem of blockade would assume lesser importance, except from standpoint of controlling Soviet bloc sea trade with ChiComs. I added, however, that since we could not altogether foresee what might develop in Korean war, in order to be prepared it would seem wise for us to discuss quite informally at early date possibility of additional measures. Jebb agreed that this might be good idea. Commenting on Sherman testimony concerning naval blockade, Jebb questioned whether complete econ embargo or naval blockade would not do "certain countries" more harm than ChiComs. I indicated that answer to this question would have to be determined by experts of our two govts competent to evaluate probable effects.

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[1] Reference is to the testimony of Adm. Forrest P. Sherman on May 30 and 31 before the Senate Committee on Armed Services and Committee on Foreign Relations. See *Hearings*, pp. 1508 ff.

Also at end last week Lacoste approached Ross saying that unofficial visitors from Washington had indicated to him that the "prevailing opinion" in Washington was in favor of additional measures along lines Admiral Sherman's testimony. Lacoste asked whether we contemplated approaching them with regard to additional measures. He was informed that we have no instructions to do so. On other hand, Ross commented personally that we could not predict with certainty how the campaign in Korea would go, nor could we predict that additional measures would not be necessary. It might therefore seem part of elementary wisdom for us to consult very informally together concerning possible further measures in order avoid inevitable confusion which would arise should we fail to consult and one day find ourselves confronted with necessity of further action. Lacoste very readily agreed that informal discussion with us and British would be useful thing. He said that of course naval blockade would create very difficult problems for British but not so many for French. He corrected latter part of this comment by saying his govt also would of course consider naval blockade a very serious matter.

In accordance with Deptel 961, June 2,[3] and Ross–Popper telecon we are proceeding to discuss with UK and French dels questions of shipping controls and US draft report to AMC.

We feel that it would also be most desirable for us to discuss very informally with UK and French dels (and possibly a very few other members of AMC) various possibilities envisaged by AMC bureau report (US/A/AC.52/12, Mar 8, 1951).[3] If Dept sees no objection we will proceed to do so.

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[3] Not printed.

It would also seem most desirable for us to discuss with UK and French dels at least, before reaching final decision, question of whether new appeal should be made through UN, and if so in what form, for additional forces. Informal discussion of these matters would, of course, be exploratory at this stage and avoid implication we contemplate immediate action pending evaluation of reports received pursuant to May 18 res.[3]

GROSS

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[3] In reply, the Department informed the Mission at the United Nations that it had no objection to informal discussions with British and French Delegates, but asked that the United States not appear at this stage to be pressing the British and the French for the immediate adoption of extreme measures. The Department considered that the immediate task of the Additional Measures Committee was to ensure the greatest possible effectiveness of the May 18 resolution, and it did not wish to jeopardize this objective by the contentious discussion of more remote possibilities. (Telegram 976 to New York, June 8, not printed; 320.2–AC/6–851)

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320.2–AC/6–1251 : Telegram

## *The Acting United States Representative at the United Nations (Ross) to the Secretary of State*

SECRET PRIORITY NEW YORK, June 12, 1951—7:12 p. m.

1635. Re US report to UNAMC. I briefed Muniz today on probable content US report to UNAMC under May 18 res along lines indicated in Depcirtel 784, June 11.[1] I stressed comprehensive character US controls going considerably beyond May 18 res and indicated we would, of course, be gratified to extent other govts felt it possible to apply controls similar ours. With reference to shipping I emphasized extent of US controls, confidential report we had received that shipping might be one of ChiCom's most vulnerable spots, and expressed hope that in their reports other govts might find it possible to indicate they were prohibiting their shipping from calling at ChiCom or NK ports or, as minimum, that they were prohibiting shipping from carrying embargo commodities, this as means of preventing circumvention.

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[1] Circular telegram 784, June 11 (not printed) was sent for action to 65 U.S. diplomatic and consular offices, and for information to 4 more. It contained a summary of the report which the United States was shortly to make to the U.N. Additional Measures Committee on the measures which the United States had taken in accordance with the resolution of May 18, and asked that the substance of the report be conveyed to the Foreign Offices of the various governments. The U.S. diplomatic and consular offices were, at their discretion, to convey the hope that the U.S. positive list, as contained in the report, would be helpful to other governments in determining specific items falling within the formula and in maintaining consistent terminology. The U.S. offices were further requested to express the hope that those governments with substantial merchant marines would apply, at an early stage, adequate controls on the shipment of cargoes of materials to mainland China covered by the May 18 resolution, as effected by the U.S. T–1 order, and report on the same to the Additional Measures Committee. (493.009/6–1151)

The responses to circular telegram 784 may be found principally in Department of State decimal files 320.2–AC and 493.009.

Muniz expressed himself quite strongly in favor of complete economic embargo and/or naval blockade. He said he thought such action might become necessary as alternative to action against China such as "bombing Manchuria" as means of increasing pressure on ChiComs without risking spread of conflict. He said he had been much impressed by Sherman's testimony and wondered if we were actively considering naval blockade. He made these comments in context of remarks to effect that since there were no signs that Commies wanted peace it was essential to continue war of attrition to point of Communist exhaustion. I told Muniz we were, of course, studying carefully implications of complete economic embargo and naval blockade, first step being, however, to make May 18 embargo as airtight as possible and in this connection I reemphasized importance we attached to shipping controls. In line with Muniz' general theses I said I thought first task of AMC was to analyze and evaluate reports under May 18 res in order to determine its effectiveness. Meanwhile I said I thought personally that members of AMC should be thinking about AMC program in general, and inquired of Muniz whether he had given any thought to question of possible political measures.

Muniz, in line with his general views, thought that consideration should be given to political measures. He thought there would be no difficulty concerning a ban on further recognition by UN members of ChiComs, that withdrawal of recognition would be more difficult politically but that continued recognition of ChiComs by certain govts has anomalies.

Muniz appreciated info concerning our forthcoming report as he had not yet had even preliminary indication from his govt concerning their report.

Ross

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## *Editorial Note*

On June 15, 1951, the Acting United States Representative at the United Nations, Ambassador Ernest A. Gross, presented the first report to the Additional Measures Committee on measures taken by the United States in accordance with Resolution 500 (V) approved by the General Assembly on May 18. For the text of this report, together with those by other governments, see U.N. document A/1841. For further reports by other governments, see U.N. documents A/1841/Add.1 through Add.5.

446G.119/6-2051

### *Memorandum of Conversation, by the Officer in Charge of Economic Affairs in the Office of Chinese Affairs (Barnett)*

SECRET [WASHINGTON,] June 20, 1951.

Subject: Suspension of Caltex Operations at Hong Kong

Participants: Colonel Kavanaugh—Washington Representative Caltex
Mr. Barnett—CA

Colonel Kavanaugh called this morning to inform Mr. Barnett that Mr. Pinckard, Chairman of Caltex, had instructed him to inform the Department that Caltex will suspend immediately further shipments of petroleum products to Hong Kong. Pressure from stockholders on the parent companies (Standard Oil of California and the Texas Company) caused Rogers and Follis (chairmen respectively of the two companies) to recommend that the Caltex Board make this decision.

Stockholder pressure was generated largely by news stories published in the Scripps-Howard press. These stories contained accusations that Caltex was shipping oil through Hong Kong to Communist China. Caltex challenged the accusations and Scripps-Howard admitted its error. The headlines had done their damage, however, and the parent companies are currently receiving a considerable volume of mail protesting Caltex operations at Hong Kong.

Kavanaugh believes that Pinckard, himself, regrets the decision. Kavanaugh opposed it strongly on the following grounds:

The decision, in effect, imposes a company embargo on a friendly territory;

It exposes Caltex to the charge that it has been engaged in objectionable operations since the outbreak of the Korean war and is only now correcting its error;

It may create serious difficulties for the British whose oil position in the Far East is vitally affected by Iranian developments;

Its impact psychologically at Hong Kong will be bad, and may produce a chain reaction.

Colonel Kavanaugh said that he was at the disposal of the Department if it desired to pursue the matter, by receiving and communicating to Pinckard the Department's views, inviting Pinckard to come to Washington, or otherwise.[1]

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[1] In a letter of June 21 to William H. Pinckard (not printed), Assistant Secretary Rusk stated that the national interest would be served if, prior to the announcement of the decision of the California Texas Oil Company, Ltd. to terminate its operations at Hong Kong, the company could arrange to notify

493.006/6-2551

### *Memorandum by the Director of Central Intelligence (Smith) to W. Park Armstrong, Special Assistant for Intelligence to the Secretary of State*

SECRET [WASHINGTON,] 27 June 1951.

The attached memorandum was prepared by the Office of Estimates for internal use in CIA.

In view of the importance of the subject and its affect on U.S. policy, I am forwarding two copies for your use.

No dissemination is being made through regular channels.

W. B. SMITH

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[Attachment]

### *Memorandum by the Assistant Director of Central Intelligence for National Estimates (Langer) to the Director of Central Intelligence (Smith)*

SECRET [WASHINGTON,] 25 June 1951.

Subject: Adverse Economic Effects on Non-Communist Countries of an Embargo on Trade with China.

1. On 6 June in New York, Sir Gladwyn Jebb, in commenting on Admiral Sherman's testimony concerning a naval blockade, raised the question of whether a complete economic blockade or a naval blockade of China might not do certain non-Communist countries more harm than it would China.* Examination of information bearing on this question indicates that, although a total embargo might have critical political repercussions in some countries, it would not create serious economic difficulties. In fact, in terms of total national economies the economic effects would be negligible in all but three or perhaps four countries.†

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confidentially the British authorities at Hong Kong and representatives of the petroleum trade in that colony of its intentions. This should be done in a manner which would minimize the economic impact of the decision upon the local economy of Hong Kong and the adverse political and psychological consequences which might otherwise be produced in this friendly territory. Mr. Rusk further requested the Company, prior to announcing its decision, to consult with the Department of Defense for an opinion regarding the effect, if any, of the Company's decision upon the security interests of the United States in the Far East. (446G.119/6-2151)

*SD Cable, N.Y. #1606, 5 June (S/S Secret) [Footnote in the source text; telegram 1606 is printed on p. 1990.]

†For the economic effects on China, see OIR Report No. 5447, 26 January 1951, "Vulnerability of the Soviet Bloc to Existing and Tightened Western Economic Controls" [not printed] and NIE-22, 19 February 1951, "Vulnerability of the Soviet Bloc to Economic Welfare." [Footnote in the source text. NIE-22 is printed on p. 1919.]

2. There are a number of countries—particularly Pakistan, Ceylon and Indonesia—where specialized regions and where individual firms might suffer financial reverse. Many of these reverses would be in the nature of a reduction in abnormal profits which have risen recently out of the East-West armaments race. From the viewpoint of US security, however, any such financial reverses would be serious only insofar as they would aggravate the political difficulties of imposing and enforcing the embargo.

3. Of greater concern to the economic side of the question would be the effects upon Hong Kong and Japan. In Hong Kong economic activity would be greatly depressed, so that British subsidy might be necessary, and in any event the community's vulnerability to Communism would be heightened. In Japan there would have to be a substantial readjustment in the pattern of imports and exports. The loss of Chinese coking coal and iron ore would boost the cost of Japanese steel production, with the inevitable result that prices would tend to rise, including the prices of many export commodities. But alternative markets could be found, and raw materials in adequate quantities probably could be made available for Japanese import, although US allocations would probably be necessary.

4. The enclosure presents a summary of the economic evidence supporting these conclusions.

### Enclosure

### 1. *The Importance of Trade with China.*

While the total foreign trade of China with non-Communist countries has grown rapidly under Communist direction, from a Western viewpoint it is not large. Chinese imports in 1950 have been estimated to be equivalent in value to $480 million and exports to $400 million, with no area aside from Hong Kong peculiarly dependent upon this trade.

*a. Loss of Imports from China.*

There are two measures for determining the degree of loss incident to an embargo: first, the cost of losing Chinese commodities; and second, the financial set-back involved in closing the China market. With respect to the former, loss of imports from China, it is clear that the adverse effects would be insignificant around the globe, except with a nominal number of private dealers whose lucrative trade would suffer, and in Japan where costs of production would probably rise. From a global standpoint Chinese commodities are "essential" only in the sense that they will do a somewhat better job at a slightly lower cost than readily available substitutes. China is the world's foremost producer of tungsten and tungsten is in tight supply in the West, but the Communist regime has banned its shipment to the West. The composition of Chinese exports is now primarily one of agricultural products and textiles. Bristles, textile manufactures, foodstuffs, tung and other vegetable oils, animal and poultry products, soybeans, fruits and nuts, tea, and peanuts are the major exports. Although some of these items are in high demand in the various importing countries, none are indispensable.

*b. Loss of the Export Trade to China.*

With respect to financial set-backs which would be encountered by the non-Communist powers in an embargo on China, only Britain would undergo any real strain (because of its position in Hong Kong), and only Pakistan and Malaya would be forced to undertake a sizeable reorientation of trade. With the embargo limited to China, there would be no general distortion of trade, nor serious payments problem. As world demand is high for those goods which China imports, the exporting countries would encounter no difficulties in redirecting their trade elsewhere.

2. *Japan.*

In Japan the loss of the relatively small quantity of resources now provided by China would result in some increases in the cost of production, particularly in the steel industry. Roughly 25 percent of Japanese coking coal and 6 percent of iron ore requirements are now supplied from China, and alternative sources would be more expensive, boosting the cost of steel production. In the present world context, however, a rise in the price of Japanese steel, even if contributory to an increment in the price of Japanese export commodities, would not be seriously damaging. With world-wide shortages of steel manufactures and machinery, the market for Japanese exports is not at present sensitive to small price changes. Maintaining an adequate inflow of coking coal and iron ore would also be a problem, but not an insolvable one. The alternative source for these materials is the Western Hemisphere, primarily the dollar area. Since both coking coal and iron ore are in short supply, some US materials allocations would probably be necessary. In the long run, it is true that Japanese-Chinese trade may be of tremendous importance in enabling the Japanese to meet international competitive prices. But this thesis assumes a peaceful world will materialize; meanwhile, the outlook for expansion of Japanses trade is excellent, even without lowcost Chinese raw materials, though realignment of Japanese trade would constitute a problem.

3. *Hong Kong.*

The British would have a serious problem maintaining their position in Hong Kong. Inasmuch as the Hong Kong-Chinese trade is the backbone of Hong Kong life (exports to China in 1950 were equal in value to $258 million, or 39 percent of Hong Kong's exports to all countries), economic activity in Hong Kong would be greatly depressed. British subsidy might be necessary; the community would become more vulnerable to a Communist coup; and the likelihood of an armed invasion would certainly increase when the value of the community to the Chinese Communist became nullified.

4. *Western Europe.*

Throughout Western Europe trade with China and Hong Kong is slight. Even British exports to Hong Kong and the Chinese mainland amounted to only $88 million, less than 1½ percent of total British exports. Since some British products are consumed in Hong Kong, not all of these goods reached China. The bulk of the trade covered iron and steel manufactures, machinery, electrical equipment, nonferrous metals, vehicles and vessels, and tires, for which alternative markets could in due time be found. Statistics on West German foreign trade last year show China and Hong Kong together as accounting for 1.2 percent of total exports, almost entirely iron and steel products and chemicals. Similarly, China and Hong Kong received 1.1 percent of Belgian exports, in great part iron and steel products. Swiss exports to the area, watches and other manufactured items, made up 2 percent of total Swiss exports. In no other country of Western Europe are marketing operations in Hong Kong and China of measurable significance. Closure of these markets would hardly be noticed in Western Europe, at least from an economic viewpoint.

5. *South and Southeast Asia.*

In several South and Southeast Asian countries exports to China and Hong Kong represent a somewhat greater percentage of total trade than is the case elsewhere in the world. These percentages are as follows for 1950: Pakistan, 12.9 percent (January–June); Malaya, 4.2 percent (January–August); India, 2.8 percent (January–December). It has been estimated that in the year ending August 1950 approximately one-third of Pakistan's raw cotton exports made their way to China. Reports from trade circles in Karachi have indicated that Chinese buyers are prepared to pay whatever the Pakistanis ask for raw cotton. Hence, one may presume that a realignment away from such trade would mean some diminution of profits, though there can be no doubt that any exportable surplus of cotton can be distributed at favorable prices in the West. The same is true of Pakistani jute, which the Chinese import in smaller amounts. In recent years about 90 percent of China's recorded imports of rubber have come from Malaya, and shipments have increased considerably since July 1950. Yet, with a heavy demand from the West, a closure of the China market would not be of greater significance to Malaya. While Indian cotton textiles, jute sacking and gunny bags are in heavy demand by the Chinese, these commodities are also in short supply in the West, so that a realignment of Indian exports could be accomplished rapidly and at small cost in monetary determinations. The trade of the remaining countries of Southeast Asia with China has receded to inconsequential proportions since the collapse of the Nationalist government. This is true of Indonesia, as well as other countries, despite a prevalent misconception to the contrary.

Only quite small quantities of Indonesian exports, usually well under 1 percent of total exports, find their way to China. The large shipments of Indonesian rubber to Malaya (including Singapore) would be perhaps slightly contracted, both in quantity and value, if the China embargo caused a drop in rubber prices in Malaya. But such a contingency is not anticipated, considering the heavy demands for rubber in Eastern Europe and the West.

6. *Other Areas.*

The cost of closing the China market would be even slighter in Latin America than it would be in Europe. A few very small exports of Chilean copper to China, small quantities of Cuban sugar, some evidence of Chinese Communist attempts to get Venezualan oil via Hong Kong (shipment of Venezualan oil to Communist countries is illegal), some cotton from Brazil, and coins and precious metals in small quantity from Mexico—these, and not much else, have constituted Latin American exports to China and Hong Kong in the past two years.

In the Middle East, the only country to be affected in the slightest would be Egypt, whose 1950 exports included shipments to China valued at $3.5 million, presumably long-fibre cotton. This was less than 1 percent, however, of total Egyptian exports. African foreign trade statistics register only the Union of South Africa as having trade with Hong Kong; its value was $2.5 million, less than ½ of 1 percent of the country's total exports. No other African countries are recorded as exporting directly to China.

Only Australia and Canada remain to be considered. Exports to China and Hong Kong accounted for less than one-third of one percent of total Canadian exports in 1950; for Australia the figure is a flat one percent. Since both are countries with modern, flexible economies, one can be assured that little if any difficulty would be sustained from the loss of these markets.

William L. Langer

493.006/6-2551

### *Memorandum by W. Park Armstrong, Special Assistant for Intelligence to the Secretary of State, to the Director of the Policy Planning Staff (Nitze)*[1]

SECRET [WASHINGTON,] July 12, 1951.

Subject: Adverse Economic Effects on Non-Communist Countries of an Embargo on Trade with China

There is attached for your information a June 25 memorandum on the above subject, prepared for internal use within CIA.[2]

Our own analysts are in substantial agreement with the analysis and conclusions of the memorandum. The reservations noted below represent relatively minor differences in emphasis.

1. In the context of current trade, the immediate adjustments required in Japan as a result of a total embargo on trade with China would be somewhat less than is implied in the subject report. Japan has received considerably less coking coal and iron ore from China thus far in 1951 than it received in 1950 and consequently has already been forced to increase its imports of these commodities from alternative sources of supply. On the other hand, the report is perhaps too sanguine in examining the longer term outlook for Japanese trade in the event that Japan does not have access to lower cost raw materials from China.

2. The report notes that a total embargo would seriously undermine the economy of Hong Kong to the point where a British subsidy for the Colony might become necessary. Should this occur, the strain on the UK's financial position might be more serious than the commodity trade data imply since Hong Kong currently is a significant source of British earnings on invisible accounts (shipping, insurance, profits).

3. The report contends that although a total embargo against China conceivably might cause a drop in crude rubber prices and thus adversely affect the economies of Indonesia and Malaya, such a decline in price is not anticipated since the world demand for rubber is high. In fact, however, the price of rubber has recently declined and may decline further as a result both of US pressure on the rubber market and British restrictions on the shipment of rubber to China and the USSR. In this context, it is to be noted that China's record imports of rubber in 1950 represented only a small proportion of total world exports of rubber.

W. PARK ARMSTRONG, JR.

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[1] Sent also in turn to the Assistant Secretaries of State for Far Eastern Affairs (Rusk); Near Eastern, South Asian, and African Affairs (McGhee); European Affairs (Perkins); and Economic Affairs (Thorp).

[2] For text, see *supra*.

493.419/8-2351 : Telegram

## *The Secretary of State to the Embassy in the United Kingdom*

SECRET WASHINGTON, August 23, 1951—7 p. m.

1115. Urtel 912 Aug 14.[1] Dept concerned unfortunate publicity re Brit ships carrying strategic goods Commie Chi, particularly *Greystoke Castle*. It is almost unavoidable that comparison will be made between efforts other countries (Panama, Liberia, Costa Rica) to prevent their vessels engaging in such trade and apparent UK approval of this action.

Dept aware that gen prob of carriage and chartering controls are unresolved in COCOM and Dept does not wish prejudge future discussions there. Dept believes, however, that major difficulty in COCOM re shipping concerns effect such controls on trade with Eur Sov bloc and not China.

Dept believes it is difficult for public (both in UK and US) to understand why UK shld permit its vessels to carry strategic goods to Commie China from any source when such goods cannot be exported from UK. In this connection, it might be noted that activities of *Greystoke Castle* in public eye appear inconsistent with UN embargo res of May 18.

Dept urges strongly that UK give urgent attn to this problem.

Reftel does not overcome strong suspicion gained from various intelligence sources that *Greystoke Castle* actually carried munitions to FE.

Pls bring above to attn of FonOff and advise Dept results.[2]

Rpt info AmEmbassy Paris 1143 Excon.

ACHESON

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[1] Telegram 912 from London, August 14 (not printed) contained a report that the *Greystoke Castle* had left Gdynia and arrived at Port Said on June 4 en route to the Far East (493.419/8-1451).

[2] In reply, the Embassy at London reported on August 31 that the problem of British ships carrying strategic goods to Communist China had been discussed with the British Foreign Office and that an officer of the Embassy was told the matter would receive prompt consideration. This was contrary to an impression the Embassy had gained formerly, when the Foreign Office stated that it understood the Cabinet had taken a very negative attitude toward any interference with the carrying trade at the time the U.N. embargo resolution was being considered. (Telegram 1159 from London, August 31, not printed; 493.419/8-3151)

The Embassy at London reported on September 5 that although the matter was still being discussed in an interdepartmental committee, the Foreign Office advised the Embassy that there was no prospect of formal action by the British Government at present. The Foreign Office also indicated that the British Government would take no official action to control the carrying trade with Communist China without full multilateral discussion and agreement with other major shipping countries, especially Norway. (Telegram 1225 from London, September 5, not printed; 493.419/9-551)

611.9322/8–2351

*Memorandum by the Deputy Director of the Office of Chinese Affairs (Perkins) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*

TOP SECRET [WASHINGTON,] August 23, 1951.

Subject: CFM Position Paper: Basic Disagreement with EUR

The attached draft position paper (Tab A)[1] is the result of another go-round with Miss Camp[2] of RA, who states that the underscored portions[3] represent the minimum position of EUR, concurred in by EDT. It is RA's position that if FE is unable to agree to the inclusion of these portions, it will be necessary for the paper to go forward to the Steering Committee on a non-agreed basis.

We believe that the FE position, which would exclude the marked portions, is the correct one. The original FE paper, which was cleared by Mr. Popper for UNP and Mr. Schaetzel[4] for E, was even stronger in its insistence that if the Kaesong talks should break down or bog down, the United States should seek economic controls by other nations nearer the level of controls exercised against the Communist Chinese aggressors by the United States.

The language added by the RA drafter in paragraph (*a*) under the United States position would have the United States Government favoring the suspension of the May 18 GA strategic embargo Resolution in the event of a long drawn out stalemate, thus removing one of our most potentially hopeful UN weapons against aggression and permitting the Chinese Communists to build up their strategic stores either for further aggression in Korea or elsewhere in the Far East. It would represent no foreseeable advantage militarily or politically to the UN or to the United States but would represent a real advantage to the Chinese Communists in restoring their pre-Cease Fire military stockpile position and in encouragement to their divisive efforts against the Free World.

The non-agreed language in (*b*) under the United States position, if incorporated in the final paper, would tell the Foreign Ministers and the world that the United States would press for further denial of strategic materials to the Chinese Communist aggressors only in the event that a breakdown in negotiations was followed by something which would fit the definition of "a massive new Chinese Communist aggression". Such a position would be a real inducement to the Chinese Communists to continue their tactics of delay and stall while building strength for a new aggressive effort in Korea or elsewhere in the Far East.

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[1] Below. This document was drafted in anticipation of the forthcoming meetings of the Foreign Ministers of the United States, the United Kingdom, and France, to be held in Washington in September.

[2] Miriam Camp was an International Economist in the Office of European Regional Affairs.

[3] Set here as italics.

[4] J. Robert Schaetzel was Special Assistant to the Assistant Secretary of State for Economic Affairs.

In the paper entitled "Courses of Action in Korea in Event no Armistice is Achieved" (Tab B Top Secret)[5] which is understood to be one of several such papers already approved by the Secretary, several alternative situations and courses of action in the light of the Kaesong talks are proposed, ranging from the most unfavorable position to the most favorable position which the drafters of that paper could conceive. Alternative (3) (page 5) represents the mildest assumption made: that negotiations fade out without a clear break, the Communists do not launch offensive or massive air attacks, and they appear to be attempting a *de facto* cease fire. Even in that case, it is proposed that in the United Nations, the United States should seek "*additional economic measures against China, looking toward complete economic blockade, including possible alternatives to naval blockade, e.g., calling on nations to control their own shipping, or to agree to have UN help them control shipping*" (page 7).

It seems to us, and we believe that we have support throughout the Government, that any relaxation, suspension, or failure to go forward progressively on the implementation of an economic control program aimed at the aggressor, except in the case of a truly satisfactory outcome to the Kaesong talks, would play into Communist hands. Tab C, a SANA telegram from Moscow dated July 13,[6] points out the possibility of a Soviet drive to force the world to abandon the China embargo and to relax U.S. export controls, especially those adopted by Western European countries.

*Recommendation:* As the time is growing short before the meeting of the Foreign Ministers, CA recommends that you give consideration to attempting to discuss these differences with EUR at the Assistant Secretary level before submission of a non-agreed paper to the Steering Committee.

Alternatively, we can prepare a memorandum to accompany our draft to the Steering Committee, using the above argumentation.

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[5] For text of this paper, WFM T-10/1, August 18, see p. 835.

[6] Not printed.

[Tab A]

## *Memorandum Prepared in the Department of State*

SECRET [WASHINGTON,] August 23, 1951.

### CHINA AND NORTH KOREA

### THE CONTINUANCE OF UNITED NATIONS CONTROLS AGAINST CHINA AND NORTH KOREA

#### PROBLEM

What position should the United States Government present to the British and French Foreign Ministers on the continuance of UN economic controls against Communist China and North Korea?

#### UNITED STATES OBJECTIVE

The United States objective is to obtain maximum multilateral cooperation in a program of economic controls for Communist China and North Korea, the severity and scope of which should be determined by Chinese Communist intention and capability to engage in aggressive activities which threaten the security of the Free World in the Pacific area.

#### POSITION OF BRITISH AND FRENCH GOVERNMENTS

The French and British Governments, after some delay, gave full support to the GA strategic embargo Resolution of May 18. British controls being applied at Hong Kong and throughout other areas under British jurisdiction are considerably more severe than those they apply to the USSR and Eastern Europe. This is also true of French controls. The British and French are reluctant to apply controls, particularly in the shipping and financial fields, as severe as those of the United States. Both countries are keenly aware, particularly since the MacArthur hearings, of U.S. interest in stopping trade with Communist China. Both must deal, however, with domestic public opinion which is reluctant to engage in all-out economic warfare against Communist China or any other part of the Soviet sphere.

#### UNITED STATES POSITION

The position of the United States will differ depending upon the outcome of the Kaesong talks:

(*a*) *Situation during a cease-fire:*

In the view of the United States Government, a cease-fire resulting from the Kaesong talks would be merely an interim situation, neither reducing the military potential of the Chinese Communist aggressors nor radically affecting their military position in such a manner as to lessen the need for economic controls. Accordingly, in this situation the United States believes that the GA Resolution of May 18 should be continued and that the NATO and other countries should continue to apply to Communist China and North Korea controls more stringent than they apply to the rest of the Soviet Bloc. *If there is a prolonged armistice pending final agreement on a settlement in Korea, consideration might be given to suspending the application of, but not revoking, the May 18 resolution. We would assume that other NATO Governments would nevertheless continue to apply controls at least as severe as those applied to other members of the Soviet Bloc.*

(*b*) *Breakdown of negotiations at Kaesong:*

In the event of a breakdown of the Kaesong negotiations, *and a massive new Chinese Communist aggression*, the United States would seek more stringent UN action than that envisaged by the May 18 GA Resolution.

(*c*) *Conclusion of a satisfactory political settlement in Korea:*

If there is a settlement in Korea, satisfactory to the UN and US (by definition including unification of Korea on democratic basis with genuine assurances against resumption of aggression) the GA Resolution of May 18 would, of course, be revoked. However, in this event we believe the NATO countries should apply to Communist China the same controls that they apply to other parts of the Soviet Bloc.

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**446G.119/8–1651: Telegram**

## *The Secretary of State to the Consulate General at Hong Kong*

CONFIDENTIAL WASHINGTON, August 24, 1951—6 p. m.

835. From Commerce:[1] Reurtel 675 August 14 [*16*],[2] OIT August 16 press release denied published reports US has eased export licensing policy to Hong Kong, and stated commodity mentioned was black sheet reject steel for manufacture enameled metalware not thin steel plate usable as tinplate substitute. Six-month investigation cited. Stated further that non-strategic steel items are being licensed in minimum amounts sufficient to meet only essential Hong Kong civilian requirements subject to assurances against transshipment to Commies.

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[1] Drafted by Carlton L. Wood, Director of the Far Eastern Division, Office of International Trade, Department of Commerce.

[2] Telegram 675 from Hong Kong, August 16 (not printed) cited a local press report indicating that the Department of Commerce planned a more lenient licensing policy toward goods destined for Hong Kong, and stating that 150 tons of thin steel sheets had been shipped from San Francisco to Hong Kong three weeks before under such a policy (446G.119/8–1651).

You may wish explain better than doubling of US exports to Hong Kong in second quarter over first quarter 1951 by fact Hong Kong Government and consignees and end-users have been submitting more conclusive evidence that their importation of US commodities or of similar or substitute commodities from other countries will not reach Commies before or after fabrication. Appreciate your concern but you are assured no licensing policy change has been made and that you will be consulted and notified as to such changes prior to public announcement. [Commerce.]

ACHESON

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446G.119/8–2751

## *Memorandum by Ashley G. Hope of the Office of Chinese Affairs to the Deputy Director of That Office (Perkins)*[1]

SECRET [WASHINGTON,] August 27, 1951.

Subject: Efforts to Prevent Smuggling from Macao to Communist China.

CA has been investigating the possibilities of preventing smuggling from Macao to Communist China in two ways, (1) through the imposition of control by Hong Kong over its exports to Macao, and (2) through bringing pressure to bear upon the responsible authorities to institute in Macao a control over its re-exports and transshipments.

1. With regard to the first, a telegram was sent by the Department on July 17 to London[2] advocating the adoption by Hong Kong of a system of control over its exports to Macao, based on export licenses which would be issued only if supported by import certificates issued by the Macao Government. The British Foreign Office agreed to request the Hong Kong Government to make such an arrangement and agreed to a parallel approach by the US Consul General in Hong Kong. The Foreign Office did not agree that the US Embassy in Lisbon should inform the Portuguese Government of the proposed agreement and of the threat of an embargo by Hong Kong should the proposed license system fail. It suggested instead, that the British COCOM Representative approach the Portuguese Representative there with a view to soliciting their cooperation. The Department agreed to the suggestion of the British Foreign Office and at the same time instructed the US Consul General at Hong Kong to approach the Hong Kong Government to make the arrangement suggested. Subsequently, the US Consul General at Hong Kong reported that the arrangement suggested had been made but reiterated its belief that no arrangement

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[1] Drafted by Harrison Lewis of the Office of Chinese Affairs.

[2] Telegram 368, not printed (493.539/6–2251).

could be effective which depended upon the exercise of control by the Macao Government, and advocated the imposition of an embargo on US exports to Macao. Action on the suggestion by the US Consul General at Hong Kong is pending, in order to allow a certain period of grace, during which it is presumed it will become apparent to the Hong Kong Government that the fears of the US Consul General are justified. At the end of that period we are thinking of advocating the imposition by Hong Kong of some system of rationing on its exports of embargoed items to Macao.

As an additional measure in effecting a strict control over exports to Macao, the Department thought that the Hong Kong Government should investigate a syndicate of smugglers, and requested the US Consul General at Hong Kong to bring the matter to its attention.

2. Apart from such control as Hong Kong could place over its exports to Macao, it appeared desirable for the Government of Macao to institute a strict control over its re-exports and transshipments. On August 15, the Department accordingly sent a telegram for the attention of the British Foreign Office, suggesting that the British Representative at COCOM might bring this matter as well to the attention of the Portuguese Representative at COCOM, with a view to soliciting the cooperation of Portugal in imposing the necessary reform on Macao. The telegram, No. 925 of August 17,[3] to which you have referred, states that the Foreign Office has agreed that the British Delegate to COCOM will approach the Portuguese COCOM Delegate as suggested but doubts that any real progress can be made until COCOM convenes again next month. The assumption mentioned in this telegram that the US Representatives are also discussing the matter with Portuguese Representatives at both Paris and Lisbon, apparently refers to the additional measure suggested in the Department's telegram of August 15. Up to the present time, the Department has not requested the US Representatives at Paris and Lisbon to approach the Portuguese. According to Mr. Ainsworth, RA, it is not believed that any approach through the vehicle of COCOM would result in bringing sufficient pressure upon Portugal to clean up on Macao. In order to have Portugal take the drastic action required in regard to Macao, it will be necessary to approach the Portuguese Government through Lisbon but, in view of the extreme pressure required, agreement must first be reached down the line in the Department. The Portuguese desk appears at this time to have little interest in bringing the necessary pressure to bear on the Portuguese Government. S/ISA has requested DRF to prepare a comprehensive survey by September 15 of the smuggling situation in Macao, and this report should come in good

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[3] From London, not printed (493.539/8–1751).

stead in convincing the Portuguese desk and other officers concerned of the necessity of taking the drastic action contemplated with respect to Macao.[4]

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[4] This memorandum bears the following handwritten notation by Mr. Perkins, addressed to Messrs. Hope and Lewis: "Let's watch the Sept 15 deadline (last sentence) & *then* start pushing." See telegrams 1612 and 1634, November 1 and 3, pp. 2042 and 2046, and despatch 350, November 13, from Lisbon, p. 2047.

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320.2-AC/8-2751

## *Memorandum by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant) to the Deputy Under Secretary of State (Matthews)*[1]

SECRET [WASHINGTON,] August 27, 1951.

The attached draft position paper on "China and North Korea"[2] for the Tripartite Talks is the subject of the meeting you have called for 12:15 today. It represents a compromise of the original FE draft which had UNA and E support.

The underlined passages[3] under (*a*) and (*b*) on page 2 point to the two issues between EUR and FE on the paper. FE holds that the underlined passages should be deleted and EUR believes that they should be included.

The issue on paragraph (*a*) centers on, in the FE view, the lack of necessity and wisdom in considering at this point or intimating to the British and French that in the period after an armistice went into effect and before the subsequent political negotiations had been concluded, the U.S. would contemplate suspending the UN economic measures.

The issue in (*b*) relates to the proposed stipulation that on resumption of hostilities it requires a massive new Chinese Communist aggression before the U.S. would seek further economic measures. This is contrary to the position personally approved by the Secretary as set forth in the "pessimist" paper on Korea which was transmitted to the Joint Chiefs of Staff two or three weeks ago.[4]

FE would also prefer to eliminate paragraph (*c*) on page 3 as being so hypothetical and distant a possibility to make it superfluous for the Ministers to consider at this time. We do not feel strongly on this however.

EUR and John Leddy[5] of E in essence are concerned over the implications of pressing NATO countries for additional economic measures in the UN in light of the Kem Amendment[6] and the Battle Bill.[7]

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[1] Addressed also to Messrs. Bonbright and Linder; the Ambassador at Large, Philip C. Jessup; Messrs. Hickerson, Rusk, and Perkins; and to Mr. John K. Emmerson, Planning Adviser in the Bureau of Far Eastern Affairs.

[2] Same as Tab A to the memorandum by Mr. Perkins of August 23, p. 2004. The text of the final paper is printed *infra*.

[3] Set here as italics.

[4] Reference is to document WFM T-10/1, August 18, p. 835.

[5] Acting Director of the Office of Economic Defense and Trade Policy.

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[6] The Kem Amendment, Section 1302 of P.L. 45, Third Supplemental Appropriation Act of 1951, approved June 2, 1951 (65 Stat. 52), so-named after Senator James P. Kem of Missouri, provided for a ban on U.S. economic or financial assistance to countries exporting strategic materials to Communist bloc countries.

[7] H.R. 4550, the Mutual Defense Assistance Control Act, sponsored by Representative Laurie C. Battle of Alabama, was passed by the House on August 2, by the Senate on August 28, and approved by the President on October 26 (P.L. 213, 65 Stat. 644). The Battle Act superseded the Kem Amendment, and likewise provided for the suspension of economic aid to nations supplying specified strategic commodities to the Soviet bloc.

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**CFM Files : Lot M-88 : Box 158**

## *Memorandum Prepared in the Department of State*[1]

SECRET [WASHINGTON,] August 27, 1951.

WFM T-10/2a

### CHINA AND NORTH KOREA

### THE CONTINUANCE OF UNITED NATIONS CONTROLS AGAINST CHINA AND NORTH KOREA

#### PROBLEM

What position should the United States Government present to the British and French Foreign Ministers on the continuance of UN economic controls against Communist China and North Korea?

#### UNITED STATES OBJECTIVE

The United States objective is to obtain maximum multilateral cooperation in a program of economic controls for Communist China and North Korea, the severity and scope of which should be determined by Chinese Communist intention and capability to engage in aggressive activities which threaten the security of the Free World in the Pacific area.

#### POSITION OF BRITISH AND FRENCH GOVERNMENTS

The French and British Governments, after some delay, gave full support to the GA strategic embargo Resolution of May 18. British controls being applied at Hong Kong and throughout other areas under British jurisdiction are considerably more severe than those they apply to the USSR and Eastern Europe. This is also true of French controls. The British and French are reluctant to apply controls, particularly in the shipping and financial fields, as severe as those of the United States. Both countries are keenly aware, particularly since the MacArthur hearings, of U.S. interest in stopping trade with Communist China. Both must deal however, with domestic public opinion which is reluctant to engage in all-out economic warfare against Communist China or any other part of the Soviet sphere.

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[1] Prepared as a briefing paper for the Secretary of State prior to meetings of the Foreign Ministers of the United States, the United Kingdom, and France, held in Washington, September 10 through 14. For further documentation on these meetings, see vol. III, Part 1, pp. 1163 ff. For the minutes of the meeting of September 11 between Secretary Acheson and British Foreign Secretary Morrison, which dealt with the alignment of U.S. and U.K. policies in the Far East, see p. 893.

### UNITED STATES POSITION

The position of the United States will differ depending upon the outcome of the Kaesong talks:

(*a*) *Situation during a cease-fire:*

In the view of the United States Government, a cease-fire resulting from the Kaesong talks would be merely an interim situation, neither reducing the military potential of the Chinese Communist aggressors nor radically affecting their military position in such a manner as to lessen the need for economic controls. Accordingly, in this situation the United States believes that the GA Resolution of May 18 should be continued and that the NATO and other countries should continue to apply to Communist China and North Korea controls more stringent than they apply to the rest of the Soviet Bloc. *If there is a prolonged armistice faithfully adhered to by the Communists but failure to reach agreement on a political settlement in Korea, the matter of economic controls on China should then be re-examined. We would assume that other NATO Governments would in any event continue to apply controls at least as severe as those applied to other members of the Soviet Bloc.*

(*b*) *Conclusion of a satisfactory political settlement in Korea:*

If there is a settlement in Korea, satisfactory to the UN and US (by definition including unification of Korea on democratic basis with genuine assurances against resumption of aggression) the GA Resolution of May 18 would, of course, be revoked. However, in this event we believe the NATO countries should apply to Communist China the same controls that they apply to other parts of the Soviet Bloc.

(*c*) *Breakdown of negotiations at Kaesong:*

In the event of a breakdown of the Kaesong negotiations, the United States would seek more stringent UN action than that envisaged by the May 18 GA Resolution.

795.00/9–751

### *Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Marshall)*[1]

SECRET WASHINGTON, 31 August 1951.

Subject: Washington Foreign Ministers Meetings (Tripartite and British Talks), Draft Position Paper (WFM T–10/2a), dated 27 August 1951, Entitled "China and North Korea"

1. The Joint Chiefs of Staff have formulated, from the military point of view, the following statement of views on the Department of State draft position paper, subject as above.

2. In subparagraph (*a*) of the statement of *United States Position* an effort has been made to distinguish between a cease-fire arrangement and a prolonged armistice. It is indicated in that subparagraph that in the event of a prolonged armistice, the matter of economic controls on China would be re-examined. An armistice, as well as a cease-fire arrangement, creates only an interim situation. During such a situation any re-examination which might lead to relaxation of economic controls would be premature. The relaxation of the controls could grant gratuitously to the enemy an unwarranted military advantage.

3. The Joint Chiefs of Staff would point out that whenever the matter of economic controls on China is re-examined with a view to their relaxation, questions regarding the mission of the Seventh Fleet with respect to Formosa will, in all probability, be raised by our allies. The Joint Chiefs of Staff feel that discussions regarding the mission of the Seventh Fleet should not be undertaken in advance of an agreement for a political settlement in Korea. It would also be desirable for formal discussion to await a political settlement of the status of Formosa. As the United States unilaterally determined this mission, decision on the matter must rest solely with the United States.

4. It is understood that on 4 August 1950 the Department of State concurred in Chinese Nationalist visit, search, and seizure of defected Nationalist shipping, if such visit and search were effected either on the high seas or in the territorial waters of Nationalist-controlled areas.[2] The United States has generally overlooked numerous deviations from this policy. It is not at all improbable that, after a cease-fire or armistice in Korea, the British may seek reversal of the "tacit approval" principle which the United States has adhered to. If such a

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[1] This memorandum was sent to Secretary Acheson by Secretary of Defense Marshall under cover of a brief letter of transmission dated September 7, not printed, in which Marshall stated that he concurred in the views of the Joint Chiefs of Staff (795.00/9–751).

[2] See telegram 119 to Taipei, August 4, 1950, *Foreign Relations*, 1950, vol. VI, p. 419.

reversal should be imminent, it might be desirable for the Chinese Nationalist Government to declare a legal naval blockade of the coast of China, as had been recommended by the Joint Chiefs of Staff prior to the aggression by the Chinese Communists in Korea. In this connection, the Joint Chiefs of Staff would reaffirm the view in their memorandum for you, dated 2 January 1951, that Formosa is geographically a portion of the Asian offshore island chain which is essential to the protection of United States strategic interests in that area.[3]

5. With respect to subparagraph (*c*) of the statement of *United States Position*, it is indicated that in the event of a breakdown of the Kaesong negotiations the United States would seek more stringent UN action. In their memorandum for you dated 13 July 1951, the Joint Chiefs of Staff, among other things, recommended that in such an event the 16 nations participating in the Korean campaign be pressed to support the imposition of a naval blockade of Communist China.[4]

6. In view of all of the foregoing, the Joint Chiefs of Staff recommend that:

*a*. Subparagraph (*a*) of the *United States Position* be amended as follows:

(1) Change the heading of the subparagraph to read: "Situation during a cease-fire or armistice."

(2) Delete the last two sentences of the paragraph and substitute the following therefor:

> "Similarly, the General Assembly Resolution of May 18 should be continued, and the controls by NATO and other countries should continue to be applied in the event there is an armistice but no agreement on a political settlement in Korea. Until there is a final determination of the status of Formosa (including the status of the Chinese Nationalist Government there), the United States feels itself free to provide assistance to the Chinese Nationalists in order that they may establish a legal blockade of the coast of China."

*b*. There be included in subparagraph (*c*) of the *United States Position* an added statement to the following effect:

"In addition to such United Nations action, the United States would also immediately seek to obtain the support and assistance of a maximum number of the nations participating in the Korean campaign for the imposition of a naval blockade of Communist China."

For the Joint Chiefs of Staff:
OMAR N. BRADLEY
*Chairman, Joint Chiefs of Staff*

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[3] *Ante*, p. 1474.
[4] *Ante*, p. 667.

795.00/9–751

### *Memorandum by the Deputy Director of the Office of Chinese Affairs (Perkins) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*[1]

SECRET [WASHINGTON,] September 7, 1951.

Subject: JCS Comments on Department Position Paper Re UN Controls

The JCS recommends a change in the language of the heading of subparagraph (*a*) under United States Position, to include the situation during an armistice, with the effect of treating both a cease-fire and an armistice situation in the same manner. The JCS argues that an armistice also creates no more than an interim situation and that any re-examination of economic controls which might lead to relaxation would be premature and could grant the enemy an unwarranted military advantage. On this general point, CA has no comments except to note that EUR argued this question vigorously and was upheld by Mr. Matthews in distinguishing a cease-fire situation and an armistice situation in the Department's position paper.

As a substitute for the language of subparagraph (*a*) relating to armistice, the JCS proposes language which would favor the continued application of the General Assembly Resolution of May 18 unless there is agreement on a political settlement in Korea. CA has no quarrel with this approach.

A separate position paper regarding Formosa has been prepared[2] and injection of the Formosa question in this form in a paper which deals with UN controls seems illogical and unnecessary. Furthermore, while the proposed sentence merely affirms U.S. freedom to undertake certain measures, these measures are themselves contrary to existing U.S. policy and reference to them at this time and in such ill-defined terms is likely to arouse British and French apprehension and might well lead to requests that we reverse what the JCS refer to in paragraph 4 as the "tacit approval principle". We may, of course, under changed conditions find it desirable to undertake the measure mentioned by the JCS, but to raise the matter now with the British and French before we have, ourselves, decided that they are desirable and before we can cite the justifying circumstances would seem unnecessary and disadvantageous.

CA believes that it would be unwise to introduce the question of naval blockade in the categorical form proposed by the JCS into discussions with the British and French at this time. CA would favor, alternatively, rewording of subparagraph (*c*) along the following lines, which might meet partially the JCS desire:

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[1] Sent also to Mr. John K. Emmerson.

[2] Reference is to document WFM T-15, August 20, not printed.

> "In the event of a breakdown of the Kaesong negotiations, the United States would consider action envisaged in the UNGA resolution of May 18 inadequate and would seek both in the UN and outside to develop to the maximum practicable extent economic and political pressures against Communist China and North Korea.
>
> "Such measures might include, if circumstances warranted, support and assistance of a maximum number of the nations participating in the Korean campaign in the imposition of a naval blockade of Communist China."[3]

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[3] No further draft of document WFM T-10/2a, August 27, was prepared, but see document WFM T-10/1a, September 8, p. 889. See also the minutes of the meeting of September 11 between Mr. Acheson and Mr. Morrison, p. 893.

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320.2-AC/9-1451

## *Memorandum by the Deputy Director of the Office of Chinese Affairs (Perkins) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant)*[1]

SECRET [WASHINGTON,] September 14, 1951.

Subject: Possible Bases for Extending UN Embargo on Trade with Communist China

***Problems:***

1. The effectiveness of the selective embargo on trade with Communist China, adopted under the UNGA Resolution of May 18, 1951, is considerably impaired by the limited control exercised over vessels trading with Communist China, including both those flying the flags of countries which have supported the Resolution and those which have not. Bi-lateral approaches to friendly countries have produced results in some cases, but this means has now been more or less exhausted and multilateral agreement is urgently required.

2. Efforts to control vessels trading with Communist China, which are believed to be carrying goods embargoed under the UN Resolution could be enhanced by more adequate controls over the bunkering of such vessels in ports of friendly countries. The two major American oil companies engaged in bunkering vessels trading with the Far East have adopted strict controls on vessels trading with Communist

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[1] Drafted by Harrison Lewis of the Office of Chinese Affairs; sent also to Edward Moline, Acting Chief of the Economic Defense Staff, Office of Economic Defense and Trade Policy; David H. Popper; L. James Falck, Assistant Shipping Adviser, Office of Transport and Communications; Elizabeth Mims of the Petroleum Policy Staff; Ruth Bacon, Special Assistant to the Assistant Secretary of State for Far Eastern Affairs; and William E. Culbert of the Economic Defense Staff. None of the Tabs mentioned in the text are printed, but all may be found attached to the source text in the Department of State files.

China, but their efforts are often defeated by the lack of a similar control by other oil companies or, in some cases, by the opposition of the authorities in the ports of call. Bi-lateral approaches by the United States in this respect have obtained only partial results and must, therefore, be supplemented by a multilateral agreement.

3. The lists of items embargoed by various countries under the UN Resolution do not cover part of the trade with Communist China in goods which may be of strategic importance to its war effort. Many of the friendly countries report that they embargo a considerably larger list than is called for by the UN Resolution but a further expansion of the items embargoed by a number of countries is necessary and, for that purpose, constant multilateral, as well as bilateral, negotiations are required.

*Recommendations:*

1. The United States delegate to the UN should propose a meeting of the AMC to examine the reports submitted by States on the measures taken in accordance with the UN Resolution of May 18, 1951, and to submit a report to the GA with the recommendation that the control exercised by States under this Resolution with respect to the embargo on certain categories of shipments to the areas under the control of the CPR and NK authorities, should be extended to prevent vessels flying their flag from carrying such shipments to those areas.

2. The United States delegate to the AMC, in the event of the adoption in the AMC of the above recommendation, should propose, as a corollary to such an extension of control, the denial by States of bunkers and port facilities in general to all vessels believed to be carrying to the areas under the control of the CPR and NK authorities any of the goods embargoed by such States under UN Resolution 500 (V) of May 18, 1951.

3. Except in the event of a definitive breakdown in the truce negotiations with the Communist Chinese and North Korean authorities, it does not appear necessary, in addition to the present discussions in COCOM, to refer to the AMC the question of additional items to be included under the selective embargo by States on shipments to areas under the control of the CPR and the NK authorities.

*Discussion:*

1. The United States prohibits vessels flying its flag from entering Chinese Communist ports or transporting any goods which are believed to be destined for Communist China. (Tab A)

The National Chinese Government also prohibits, of course, all shipment of commodities to Communist China (Tab B). Danish ship owners have agreed not to charter vessels for the China trade. The Greek Government has placed in force a bill prohibiting the chartering of Greek vessels for transporting items embargoed under the UN Resolution. Honduras prohibits all vessels flying its flag from calling at Communist Chinese ports and from transporting materials which might serve their war efforts. Italy prohibits its public vessels (85% to 90% of the total) from loading strategic materials bound for Communist China. Liberian vessels are prohibited, except by written approval, from carrying any of the goods, embargoed under the UN Resolution, to any place in the Soviet Bloc, including China. The Netherlands has given assurances that its vessels will not trade with Communist China. The Norwegian Government has taken steps to prevent Norwegian ships from transporting to Communist China the goods embargoed by it under the UN Resolution. Panama prohibits any vessels of its national merchant marine from putting in at Communist Chinese ports.

The shipping controls imposed by these countries should make it possible to prevent a large part of the trade with Communist China in the goods embargoed under the UN Resolution; Panamanian vessels, alone, made up, in fact, a considerable proportion of the friendly vessels engaged in such trade. Vessels carrying the flag of several other friendly countries, including a large number with UK registry, still constitute, however, an important loophole in controlling the trade with Communist China. In addition, many of the vessels registered with Panama and other countries which prohibit their carrying strategic cargo consigned to Communist China, may be successful in transferring to the flag of one of the countries which do not impose such a prohibition and thus defeat, in part at least, the efforts which have been made so far to prevent the carriage of such goods on those vessels.

In the preparations made by the Department in respect to the AMC meeting which led to the adoption of the Resolution of May 18, consideration was given to shipping controls as a technique to enforce the selective embargo. As it was believed difficult to obtain wide agreement in applying such controls, it was recommended, however, that, in the interests of securing as wide agreement as possible to acceptance of the principle of an embargo, the Resolution should provide that each Member should apply such of its own controls as it deems appropriate. The experience of the United States, it was stated, had shown that where the United States considers application of controls in particular cases to be of vital importance, such cases can be handled most effectively through private *ad hoc* diplomatic discussion.

The United States has since approached a number of friendly countries in regard to the possibility of their prohibiting the carriage to Communist China of goods embargoed under the UN Resolution, and in several instances, such as with Panama and Liberia, has been successful in obtaining their full cooperation (Tab C). With a number of other friendly countries, however, bi-lateral discussions have proved of no avail, and it has either been stated outright or become evident that these countries are prepared to consider the matter further only on a multilateral basis, if at all.

Actually, the problem is already being discussed in COCOM (Tab O), but if world-wide action is to be taken, it would appear that the matter must be brought up in the AMC as well (Tab N). To obtain multilateral agreement with the remaining friendly countries which have not adopted shipping controls, would require extensive negotiations, but with the recent agreement of various individual countries and the CMC (Tabs F, G and H) with the United States position Tabs D and E) that shipping controls are an essential technique in the multilateral application of economic sanctions, it may be expected that the AMC, and subsequently the GA, will agree to extend, in this way, the effectiveness of the selective embargo adopted under the UN Resolution of May 18, 1951.

2. The adoption of shipping controls by the UN would be effective only in so far as the vessels of friendly countries are concerned. Any attempt to prevent the vessels of non-friendly countries from carrying to Communist China the goods embargoed under the UN Resolution, would, short of force, have to involve control over the goods and services of friendly countries, on which these vessels are dependent. Most important among these are the port facilities afforded by maritime countries, and especially bunkering.

The United States itself has not undertaken to deny port facilities and bunkers to vessels trading with Communist China, although a draft order was prepared along these lines in the Department of Commerce on May 31, 1951. The two major American oil companies operating in the Far East (Stanvac and Caltex), however, forbid the supply of bunkers to satellite vessels proceeding to Communist ports (Tab I).

The controls exercised by other oil companies and by the authorities in Far Eastern ports are, for the most part, very limited (Tabs J and L). The Shell Oil Company has indicated a willingness to deny bunkers to vessels carrying to Communist China goods which are embargoed under the UN Resolution, but it is tied down by contracts, overruled by the local authorities in some ports, and does not have the support of the British Government, which states it has not yet formulated a firm policy in this regard.

The United States has taken the position in both bilateral discussions and in the UN CMC (Tabs J and K) that each State should exercise control over the bunkering, ship repairing, and other shore facilities available in its territories for use by merchant ships, and deny these facilities to the ships of an aggressor or, where deemed desirable, to the ships of non-cooperating States. It was agreed in the UN CMC (Tab H) that the "denial of bunker fuels for ships and aircraft, denial of port and repair facilities, and denial of free port benefits can and should be resorted to where necessary to reinforce shipping controls against an aggressor or those assisting an aggressor".

If action is taken within the AMC with a view to imposing controls on vessels, which may be carrying to China goods that are embargoed under the UN Resolution, it would appear from the foregoing that the denial of port facilities and bunkers to such vessels would be agreed to by the AMC as a necessary corollary.

3. The United States and a number of other friendly countries permit no exports whatever to Communist China (Tab M). Also, a number of other friendly countries embargo various items which they consider are in addition to the categories listed in the UN Resolution of May 18. Some of these countries, which constitute the primary sources of supply in the free world, meet frequently in COCOM to discuss the addition of other items to their embargo lists. The progress in this respect appears to be satisfactory, and, unless there were a definitive breakdown in the truce talks with the Communist Chinese and North Korean authorities, it would appear that it is not necessary to refer the matter to the AMC for further action.

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320.2-AC/8-2351 : Telegram

## *The Acting Secretary of State to the United States Mission at the United Nations*

SECRET WASHINGTON, September 17, 1951—6 p. m.

145. Urtel 261 Aug 23.[1] Dept believes so long as armis discussions not definitely terminated it wld be undesirable begin prelim negots on three points mentioned reftel. It is important avoid any step which wld be interpreted as evidence US has given up hope of peaceful set-

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[1] In telegram 261 from New York, August 23 (not printed), the U.S. Mission at the United Nations stated that it assumed the Department of State was including the following three points in its current consideration of the question of reactivating the Additional Measures Committee, in the light of the possibility the Communists might definitively break off truce talks: (1) condemning the failure of the Soviet Union and Associated States to comply with the strategic embargo; (2) extension of the strategic embargo to a full embargo; and (3) endorsement of the U.N. Secretary-General's appeal for additional ground forces (320.2-AC/8-2351).

tlement in Korea. If definite breakdown negots appears imminent we will raise with other nations early convocation AMC consider additional measures. Dept views as to such future action AMC will be formulated in near future.

Meanwhile, however, we shld avoid giving impression AMC moribund since it has continuing responsibility for execution measures already agreed upon May 18 res. Dept considering desirability AMC mtg in early future to study operation existing measures and prepare report GA. You shld seek UK and Fr del reactions.[2]

Dept continues follow carefully functioning strategic embargo. We are studying particularly problems created by use shipping friendly countries to carry embargoed materials, and bunkering ships carrying same in friendly ports. Dept studying methods to meet these problems.

WEBB

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[2] In telegram 493 from New York, October 18 (not printed), the U.S. Mission at the United Nations reported that the official British and French position, as related by the British and French Representatives at the United Nations, was opposed to an early meeting of the Additional Measures Committee and report to the General Assembly. No further meetings of the Additional Measures Committee were held during the year 1951; see the memorandum of December 26 by Under Secretary Webb, p. 2051.

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320.2-AC/9-1851

## *Memorandum by Ashley G. Hope of the Office of Chinese Affairs to the Deputy Director of That Office (Perkins)*

SECRET [WASHINGTON,] September 18, 1951.

Subject: Attached Memorandum:[1] Possible Basis for Extending UN Embargo on Trade with Communist China

The attached memorandum, prepared by Foreign Service Officer Harrison Lewis, represents an exhaustive, well-organized, and well-prepared effort. To my knowledge, no similar comprehensive round-up of the action of the various States in compliance with the UN strategic embargo Resolution of May 18 exists within the Department, nor am I aware of a similar exposition of the actions taken by other nations pursuant to United States approaches and to their own desires to control their economic relations with Communist China. Mr. Lewis has spent several weeks in collecting and collating this material, and the result is a real contribution to the thinking of all who are concerned with this important subject.

With regard to the substance of the memorandum, we have recognized for some time the difficulties attending bilateral approaches to Governments whose ships have transported or are transporting to Communist China cargo forbidden under the UN Resolution, which

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[1] Not printed.

United States vessels, of course, are not permitted to carry. In a memorandum[2] sent to you shortly before his departure for the Far East, Mr. Barnett indicated one of the problems in such approaches, the temptation to impose the United States will on small and weak nations in a field where the great Western Powers who are allied with us in the effort to stop Communist aggression are not willing, and have not been persuaded by United States argument or example, to hew to our line.

The reports of the recent conferences between the Secretary and the Foreign Ministers of Great Britain and France again emphasize that while there is no real division in our common resolve to resist Communist aggression, there are real and basic differences in the views of our respective Governments about how we should deal with the problem of Communist China. While the United States Government adheres firmly to and prosecutes as vigorously as compatible with good international relations with our allies our own theory of harsh economic controls against Communist China, and a strict policy, though somewhat less harsh because of the realities of the economic situation of Western Europe vis-à-vis the Soviet Union, against the Soviet bloc, we do recognize the right of our Allies to hold differeing views. Our effort, therefore, is to persuade the nations of the Free World that the common interest dictates our making common cause in this field of economic controls as in the areas of military re-armament and mutual defense planning.

It is apparent that Mr. Lewis' paper attempts a middle line between the stern and perhaps inflexible measures which have been widely discussed for attempted imposition in the event of a definitive breakdown in the Korean negotiations and the attitude which it is reasonable to believe the British and French and other free nations of Western Europe hold, that we should avoid increased provocative measures against the Chinese people which will inevitably drive them deeper into the Russian grasp.

This memorandum urges immediate action in the United Nations looking to a further enforcement of the UN strategic embargo Resolution through shipping controls, whether or not the situation in the Kaesong talks develops more favorably. In that respect, it offers a proposal which should be most carefully considered by those in the Department charged with primary responsibility for the carrying on of relations with the Western Powers. The proposal should also be examined closely by FE, since its effect would be not only the attempted shoring-up of the UN strategic embargo Resolution, but it might also represent, in the eyes of many Far Eastern nations, a further advance toward a feared all-out economic warfare against China.

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[2] Not printed, but see the memorandum of September 14 by Mr. Perkins to Mr. Merchant, p. 2014.

Whether we would lose more in the often grudging cooperation of our European and Far Eastern neighbors than we would gain in attempting to deny more goods to the Chinese Communists, and incidentally in making a gesture toward satisfying a segment of Congressional and public opinion, may well be the final test for judging this proposal and other economic sanctions proposals which will undoubtedly follow from various sources within the United States Government.

I recommend that this study, because of its intrinsic factual value and timeliness, be widely circulated within the Department, and that expressions of views be sought. It seems to me that some such analysis and *caveat* as this memorandum should accompany the study, to avoid any appearance that FE and CA, which under greatest pressure have succeeded generally in exerting a calming influence in a sometimes hysterical atmosphere, may be felt to be unduly anxious to volunteer economic warfare measures in order to better their "public relations".

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**S/S Files : Lot 63 D 351 : NSC 104 Series**

## *Memorandum by the Acting Secretary of State to the Executive Secretary of the National Security Council (Lay)*[1]

**[Extracts]**[2]

SECRET WASHINGTON, September 21, 1951.

Subject: Second Progress Report on NSC 104/2, "U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc"

NSC 104/2 was approved as Governmental policy on April 12, 1951. It is requested that this Progress Report (covering the quarter ended August 15, 1951) be circulated to the members of the Council for their information.

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[1] In NSC Action No. 582, taken by the National Security Council at its 107th meeting, November 28, 1951, the Council noted this progress report. As part of the same Action the Council noted a statement by Adm. E. T. Wooldridge, JCS member of the Senior NSC Staff, that the Department of Defense remained seriously concerned over the continued shipments of strategic materials into Communist China. The Secretary of Commerce, the Acting Economic Cooperation Administrator, and the Chairman of the Export-Import Bank participated in this Action with the Council, the Acting Secretary of the Treasury, and the Director of Defense Mobilization. (S/S Files: Lot 62 D 1: NSC Actions)

[2] Extracted here are only those portions of the report relating to China and North Korea; most of the report covered trade with Eastern Europe and the Soviet Union. For the complete text, see vol. I, p. 1186.

*Export Controls*

1. *Prohibition of all Exports to Communist China, Manchuria and North Korea*

Since the submission of the first progress report, a general license designated G/PUB has authorized exportation to all destinations except North Korea, of the following publications, provided the publications do not contain technical data:

Motion picture films, developed
Books, bound, text, educational
Bibles and testaments
Books, bound, other
Books, unbound, in sheets
Catalogs and pamphlets
Music in books and sheets
Newspapers, current
Periodicals, current
Calendars, printed or unprinted

2. *Export Licensing of all United States Shipments to the USSR and Eastern European Satellites*

The only new development in licensing shipments to the European Soviet bloc concerns technical data. A validated export license shall be required for the exportation, directly or indirectly, of technical data to Subgroup A destinations.

*a.* The Office of International Trade, Department of Commerce shall deny export license applications for the export of technical data to Communist China and North Korea.

*b.* The Office of International Trade shall deny to all other Subgroup A destinations applications received to export technical data which, in its opinion, would be of assistance to these countries,

(1) in the production of commodities contained on the United States Security Lists I, IA, II and IIB; or

(2) in significantly maintaining or expanding the short term or long term war potential of these countries through the production of commodities or facilities other than those included under (1), or through contributions to industrial or theoretical research; or

(3) in providing information of intelligence value, such as that included in maps or plant location and layout descriptions.

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9. *International Controls on Exports to Communist China*

On May 18, 1951 the General Assembly of the United Nations adopted a resolution recommending that every State (both Members and non-Members of the United Nations) apply an embargo on the shipment to Communist China and North Korea of arms, ammunition and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition, and implements of war. The Additional Measures Committee was requested by the resolution to report to the General Assembly on the general effectiveness of the embargo and the desirability of continuing, extending or relaxing it.

As of the date of this progress report, sixty countries had submitted reports or acknowledgments. Of these, forty-two are generally satisfactory. This category includes the principal Allies of the United States as well as China's principal non-Communist foreign sources of supply.

Consideration has been given in the United States Government to the status of the strategic embargo in the event of a cease fire or an armistice in Korea, and, alternatively, to measures to increase the effectiveness of the embargo and extend its scope if the Kaesong talks break down.

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JAMES E. WEBB

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S/S Files : Lot 63 D 351 : NSC 48 Series

## *The Executive Secretary of the National Security Council (Lay) to the National Security Council*

TOP SECRET WASHINGTON, September 25, 1951.

UNITED STATES OBJECTIVES, POLICIES AND COURSES OF ACTION IN ASIA

References: A. NSC 48/5 [1]
B. Memo for NSC from Acting Executive Secretary, subject, "United States Courses of Action in Korea", dated September 5, 1951 [2]
C. Memo for NSC from Executive Secretary, same subject, dated September 11, 1951 [3]

The enclosed memorandum by the Secretaries of State and Defense and its attached Progress Report with respect to NSC 48/5 on the subject, prepared jointly pursuant to the direction of the President and in accordance with the understanding of the State and Defense Departments stated in the enclosure to the reference memorandum of September 11, is transmitted herewith for the information of the National Security Council and is being scheduled on the agenda of the Council meeting on September 26, 1951.

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[1] For text, see vol. VI, Part 1, p. 33. See also p. 439.
[2] The September 5 memorandum transmitted the memorandum by Secretary Marshall to Mr. Lay, September 4, p. 881.
[3] Not printed.

Attention is invited to the fact that the enclosed Progress Report provides background for Council consideration at its meeting on September 26, of the course of action recommended by the Joint Chiefs of Staff and submitted by the Secretary of Defense in the enclosure to the reference memorandum of September 5, 1951.[4]

JAMES S. LAY, JR.

[Enclosure]

*Memorandum by the Secretaries of State and Defense to the Executive Secretary of the National Security Council (Lay)*

TOP SECRET [WASHINGTON, September 25, 1951.]

Subject: First Quarterly Progress Report on NSC 48/5—"United States Objectives, Policies and Courses of Action in Asia"

Ref: NSC 48/5 and note by the Executive Secretary to the National Security Council, 17 May 1951
Joint State-Defense Memorandum of 5 September 1951 to the Executive Secretary, National Security Council on "Responsibilities of the State and Defense Departments for Coordinating the Implementation of NSC 48/5"*

In accordance with the President's directive on the implementation of NSC 48/5 and the above-referenced memorandum, there is submitted herewith the first quarterly progress report on NSC 48/5. It is requested that this be circulated to the Council members for information.

DEAN G. ACHESON ROBERT A. LOVETT

[Attachment—Extract][5]

. . . . . . . .

*Effect of Economic Restrictions Against Communist China:* (Paragraph 8*e*)[6]

On May 18, 1951, the General Assembly of the United Nations adopted a Resolution recommending that every State embargo shipments to North Korea and Communist China of arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition, and implements of war. This Resolution also recommended that every State prevent the circumvention of controls applied by other States under this Resolution. The action which this Resolution envisaged each State would take unilaterally, represented a long step toward such complete control, although such action would be narrower than the position adopted by the United States in December 1950 when this Government terminated virtually all economic relations with Communist China.

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[4] NSC Action No. 561 indicated that at its 103d meeting, September 26, the Council took note of this progress report (S/S Files: Lot 62 D 1: NSC Actions).

*Memo for NSC from Executive Secretary, subject, "United States Objectives, Policies and Courses of Action in Asia," dated September 11, 1951. [Footnote in the source text. Neither the memorandum of September 5 nor that of September 11 is printed.]

[5] For the complete text, see vol. VI, Part 1, p. 80.

[6] Reference is to paragraph 8*e* of NSC 48/5, May 17, 1951, which read as follows: "8. While continuing to recognize the National Government as the legal government of China, the United States, with respect to Communist China, should now: . . .

"*e.* Continue United States economic restrictions against China, continue to oppose seating Communist China in the UN, intensify efforts to persuade other nations to adopt similar positions, and foster the imposition of United Nations political and economic sanctions as related to developments in Korea."

A majority of the members of the United Nations have reported compliance with this Resolution in one form or another, as have several non-member countries. In addition, largely subsequent to the adoption of the Resolution, many States recently have taken measures going beyond the generally understood scope of the Resolution. For example, Danish ship owners have agreed not to charter vessels for China trade. Greece has placed in force a law prohibiting the chartering of Greek vessels for transporting items embargoed under the Resolution. Honduras prohibits all vessels flying its flag from calling at Communist Chinese ports and from transporting materials which might serve the Communist Chinese war effort. Italy prohibits its public vessels (85% to 90% of its total shipping) from loading strategic materials destined for Communist China. Liberia prohibits vessels under its flag, except on written approval, from carrying any goods embargoed under the Resolution to any place in the Soviet Bloc, including China. The Norwegian Government has reported steps to prevent Norwegian vessels from transporting such embargoed goods to Communist China. The Republic of Panama, by Decree dated August 18, 1951, prohibits any vessels flying the Panamanian flag from calling at Communist China ports, and Panamanian shipping to Communist China has diminished greatly during the past month.

There are indications of a falling off in the total water-borne carriage of Free World shipping of goods to Communist China. However, United States authorities are aware of possible loopholes permitted by transfer of registry and continuing trade by other flag vessels, and studies are going forward on an urgent basis looking to appropriate multilateral action within and outside the United Nations to further tighten controls over shipping by friendly nations. Increased activity by satellite shipping lines, particularly Polish, complicates the problem of total supply.

There continues to be a substantial volume of goods shipped into China. This trade still includes a certain amount of strategic commodities, but very little consists of direct war materials. Increased smuggling has followed the imposition of more rigid controls in Hong Kong in June, including reported smuggling activities from the US-controlled Ryukyus. The United States continues day-by-day efforts to observe and bring to the attention of responsible authorities infractions of their regulations by smugglers and others who attempt to evade controls applying to trade with Communist China.

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493.46G9/10–1651

## *The First Secretary of Embassy in the United Kingdom (Ringwalt) to the Department of State*

RESTRICTED LONDON, October 16, 1951.

No. 1780

Subject: Hong Kong in Relation to the Embargo on Strategic Exports for China.

There are enclosed copies of an undated memorandum prepared in the Colonial Office on the subject: "Hong Kong in Relation to the Embargo on Strategic Exports for China".[1] It presents in a reasonably clear and concise form a picture, as seen by the British authorities, of the steps taken by the Government of Hong Kong to control exports to China, notwithstanding the financial sacrifice which the enforcement of the controls has meant to large sections of the population of the Colony. The memorandum emphasizes the effect upon the economy of Hong Kong of the curtailing of supplies for Hong Kong's own industries which has led to inflation and unemployment. It describes the hardships borne by these industries, including many so-called "cottage" industries, as a result of the application to Hong Kong of Sec. 500.808 (as amended) of the Financial Assets Control Regulations of the Treasury Department which prohibits the import into the United States of goods processed in Hong Kong from Chinese raw materials.

The memorandum pleads that application of these controls is such as to cause serious economic loss and risk to the internal security of Hong Kong and that therefore the policy of countries cooperating in the strategic embargo against China should be modified constructively to the end that the normal exports and imports of the Colony may be maintained except insofar as they can be shown to be of assistance to forces of aggression.

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[1] Not printed.

It is possible that the memorandum can be of assistance in the discussions of the Hong Kong problem with other interested government departments in Washington.

ARTHUR R. RINGWALT

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493.009/10-2351

*The Ambassador in the United Kingdom (Gifford) to the Secretary of State*

SECRET LONDON, October 23, 1951—1 p. m.

1981. For Excon.

FonOff has taken initiative information of interdepartmental working party, to include reps of Board of Trade, Treas, and other govt agencies, whose terms of ref involve consideration of what further measures might be taken in event Korean cease-fire negots break down.

Brit opinion remains firmly opposed to suggested ban on UN shipping calling at Chi ports, primarily as such a move wld be calamitous for Hong Kong. Present thinking is rather along lines of strengthening measures already in force. Specifically, consideration being given to fol:

*a.* Prohibition on chartering of Brit vessels to third parties for purpose of evading restrictions applicable to Brit shipping. (Brit wld be prepared take this step only if other maritime nations agreed to do likewise.)

*b.* Closer check on transshipment to China of prohibited items. Col Govts wld be given necessary powers prevent such transshipment, notwithstanding additional burden this wld place on already creaking admin machinery.

*c.* Categories of prohibited articles in UN list wld be enlarged to include certain items heretofore considered marginal.

Sent Dept 1981, Paris 805.

GIFFORD

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893.00/10-2651: Telegram

*The Acting Secretary of State to the Consulate General at Hong Kong*

SECRET PRIORITY WASHINGTON, October 26, 1951—9:52 a. m.

1754. Dept desires ur assessment impact US and UN econ control measures on Commie Chi. Since Commie Chi econ vulnerability involves polit, mil, administrative and psychological as well as strictly econ aspects, narrow statistical approach less valuable this project than broad evaluation of these among other directly and indirectly relevant factors.

1. Effect of these measures on vol, value and character Hong Kong trade with mainland.
2. Impact of controls various sectors Chi mainland urban economy.
3. Impact on rural economy.
4. Effects if any of difficulties caused by these measures upon operations of mil estab.

Suggest particular comments on effects produced by US–UN rubber, cotton, petroleum, other commodity, shipping controls and gen comments re use by Chi Commies of and public reaction to increasing police pressures in admin of econ programs.

Request tele reply embodying your best judgments on foregoing points with analytical corroborative detail follow air pouch soonest.[1]

WEBB

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[1] In telegram 1755 (priority) to Hong Kong, October 26, not printed, the Department requested an estimate of the effect on the Communist Chinese capacity to wage a Korea-scale war of a United Nations application of economic and shipping controls substantially similar to those of the United States (493.46G9/10–2651).

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493.119/11–2151

## *Department of State Position Paper*[1]

SECRET [WASHINGTON,] October 30, 1951.

SD/A/C.1/376/Rev.1

### ADDITIONAL ECONOMIC MEASURES AGAINST COMMUNIST CHINA AND NORTH KOREA

#### THE PROBLEM

To determine the United States position in the Sixth General Assembly regarding additional economic measures against Communist China and North Korea.

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[1] Prepared as a position paper for the Sixth Regular Session of the U.N. General Assembly. A covering memorandum of October 31 by George Denney, Secretary of the Steering Group on Possible U.S.–U.K. Talks in November, indicated that this paper was drafted by Walter S. Anderson, Jr. of the Bureau of United Nations Affairs, and that it was approved at the working level in the Departments of State and Defense.

The Sixth Session of the General Assembly lasted from November 6, 1951 to February 5, 1952, but no discussion was held on Korea or Chinese involvement in Korea until 1952.

This paper was also designated as document NOV D–4b in the U.S. records of the meetings of the Foreign Ministers of the United States, the United Kingdom, and France held in Paris and Rome, November 2–30. For further information on these meetings, see the editorial note, vol. III, Part 1, p. 1312. Document NOV D–4/1b, November 1, a negotiating paper based on this document of October 30, is printed *infra*.

### RECOMMENDATIONS

In general, the Delegation should seek to obtain broad agreement to the application of economic measures which will have a maximum adverse effect upon the war potential of Communist China and North Korea, so long as their aggression continues.

A. *If an armistice in Korea materializes:*

1. The United States Delegation should take the position that the existing embargo should be continued in full force for the time being, pending clarification of the Korean situation. The embargo should not be relaxed during the Sixth Session of the General Assembly in Paris.

2. If heavy pressure for the suspension or abrogation of the embargo develops, the Delegation should consult the Department.

B. *If an ambiguous situation respecting the possibility of an armistice in Korea continues:*

1. The United States Delegation should seek to induce friendly delegations to support Additional Measures Committee and General Assembly resolutions designed to enhance the effectiveness of the existing United Nations embargo on certain strategic materials, through such measures as cargo and selective shipping controls. This could be done without altering the basic points in the General Assembly resolution of May 18 which includes the list of embargoed items and envisages that each state should apply the recommended measures individually. A new resolution might include the prohibition of carriage of embargoed goods from any point to Communist China or North Korea, prohibitions and safeguards against transshipment and reexport restrictions on the sale or chartering of vessels and aircraft, denial of bunkering and port facilities, and denial of insurance facilities (see Annex 3).

2. The United States Delegation should also stress the need for effective action on the part of every state to prevent by all means within its jurisdiction, the circumvention of controls applied by other states to further the objectives of the resolution of May 18, 1951.

3. If exploratory conversations indicate that adequate support could be obtained for more extensive measures, the Department should be so informed.

C. *If the armistice negotiations definitely break down or if full scale hostilities are resumed:*

1. Until otherwise instructed, the Delegation should avoid indicating to other delegations the precise nature of the recommendations which the United States contemplates making in these circumstances, but should indicate merely that still further economic measures would be taken to meet the aggression.

2. For the information of the Delegation, it is contemplated that

in these circumstances the Delegation would be directed to induce friendly delegations to support Additional Measures Committee and General Assembly resolutions calling for a total trade embargo supported by ancillary measures, approximating the United States' present controls.

3. If it is impossible to obtain broad support for such a trade embargo, particularly from the principal free world trading nations and the principal free world maritime nations, the Delegation should consult the Department regarding the advisability of pressing vigorously for less far-reaching measures, or of standing firm for the maximum program.

## DISCUSSION

### *Background*

In consequence of the Chinese Communist intervention in the Korea conflict late in 1950, the General Assembly on February 1, 1951, adopted a resolution for which the United States had pressed which, among other things, requested "a Committee composed of the members of the Collective Measures Committee as a matter of urgency to consider additional measures to be employed to meet this aggression and to report thereon to the General Assembly . . . ." The new Committee, consisting of twelve of the fourteen members of the Collective Measures Committee, became known in due course as the Additional Measures Committee.

The United States took the lead in persuading the Additional Measures Committee to recommend action. The United States Government's general position was that "the United States Government, in view of the Chinese Communist aggression in Korea, should press for the application of such international control measures as will be effective in diminishing the Chinese Communist potential for military aggression and as will carry the maximum weight of moral condemnation. Its efforts through the United Nations and other channels should be directed to seeking, on a cooperative basis, the application by the maximum number of friendly countries of such controls for this purpose as the United States considers would be in the common interest in fostering collective security." * In accordance with this policy, the United States Government was instrumental in having the Additional Measures Committee make certain specific recommendations to the General Assembly.

On May 18, 1951, the General Assembly adopted a resolution recommending that every state (not United Nations Members only)

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*United States Government "Position Paper on Economic Measures against Communist China", April 12, 1951; p. 3. [Footnote in the source text; for text, see p. 1958.]

"apply an embargo on the shipment to areas under the control of the Central People's Government of the People's Republic of China and of the North Korean authorities of arms, ammunition and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition and implements of war." The resolution also called on every state to determine which commodities exported from its territory fell within the embargo and to apply controls to give effect to the embargo, to prevent by all means within its jurisdiction the circumvention of controls on shipments applied by other states pursuant to the resolution, and to cooperate with other states in carrying out the purposes of the embargo. The complete text of the resolution is attached as Annex 1.

The controls recommended by the resolution fell far short of the United States' own controls against Communist China and North Korea, which in their present form had been in effect since December 1950, when massive Chinese Communist intervention became apparent.

The resolution was communicated by the United Nations to 83 states or regimes—60 United Nations Members and 23 non-Members. They were requested in a provision of the resolution to report to the Additional Measures Committee within thirty days on the measures taken in accordance with the resolution. To date, 43 states (37 Members and 6 non-Members), including the United States, have made generally satisfactory replies. Four states (3 Members and 1 non-Member) have made replies which may be considered inadequate or evasive. Eight states (5 Members and 3 non-Members)—all of them Soviet bloc members—rejected the resolution. Twenty-eight states or regimes (15 Members and 13 non-Members) have not replied, although six of these (3 Members and 3 non-Members) have acknowledged the receipt of the circular. See Annex 2 for a list of the states in each category. The 43 states accepting the recommendations of the resolution, however, include all of our important allies as well as the main non-Soviet-bloc potential suppliers of strategic items to Communist China and North Korea. The extent of acceptance of the letter of the resolution, therefore, may be considered satisfactory. In general, it may be said that the embargo has had an appreciable economic and psychological impact upon the aggressors.

In an effort to enhance the effectiveness of the embargo, the Department on June 11, 1951, instructed† its representatives at all of the free world capitals to inform the governments to which they were accredited of the scope of the reply which the United States was about to make to the Additional Measures Committee pursuant to the resolution, to suggest that the United States Positive List might prove a useful guide to them, and to express the hope that they would apply adequate shipping controls.

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†Circular telegram No. 784. [Footnote in the source text; not printed, but see footnote 1, p. 1992.]

It should be noted that, although the United States has not sought United Nations action to strengthen or expand the United Nations embargo, since last June the United States has made approaches to a number of countries to induce them, if possible, to accept and apply fully the provisions of the May 18 resolution (e.g., Indonesia, Ceylon) or to institute shipping or other ancillary controls as being in the spirit of the May 18 resolution (e.g., United Kingdom, Panama, Liberia, Greece). These efforts have met with varying degrees of success.

June 18, 1951, was the deadline for replies from states to the Additional Measures Committee regarding action taken under the May 18 resolution. On June 23, before the nature of the collective response could be carefully appraised and before the need for ancillary measures could be assessed, Malik made the speech which led to the armistice negotiations in Korea. It was reasonable, therefore, not to advocate any further United Nations action to tighten up the embargo pending the outcome of the armistice negotiations; any move to do so might have destroyed the prospects for a cease-fire. Indeed, in the atmosphere which prevailed during the summer, it was clear that the British, French, and others would not have agreed to any such further steps.

A. *If an armistice in Korea materializes.*

It is in the interest of the United States to maintain the embargo against Communist China as long as possible. Even if there is an armistice in Korea, therefore, we would not wish to relax trade restrictions against Communist China so long as its troops remain in hostile and threatening posture.

The United States Delegation should take the position that pending further clarification of the situation in Korea, there should be no relaxation of the embargo. Certainly the situation in Korea will remain uncertain for the duration of the Sixth Session of the Assembly in Paris and there should be no relaxation of the embargo at this session. The Delegation should point out that:

*a.* So long as the Chinese Communists maintain their forces in Korea they may still be considered technically aggressors even if an armistice is achieved;

*b.* Even if there is an armistice United Nations forces may have to stay in Korea because of the ever-present threat that the Communists might renew the fighting; the members of the United Nations therefore should do nothing to strengthen the hands of the Chinese Communists to enable them to renew hostilities;

c. Events in the near future, and particularly the implementation of the armistice agreement and discussions concerning possible political settlement in Korea, will give a clearer indication of the intentions of the Communists.

We should also make clear that quite apart from the United Nations embargo and the threat of further aggression in Korea, the United States is strongly of the opinion that the Nations of the free world should not supply Communist China with the means for waging aggressive war. Whatever be the status of the United Nations embargo, the United States and other free countries may, and should, maintain or institute unilateral or multilateral controls (e.g. COCOM) against Communist China and against the entire Soviet bloc.

The views of our principal allies, however, are quite different. If an armistice is negotiated, the British, French and others may be expected promptly to urge the immediate suspension or revocation of the embargo, perhaps without waiting even to determine whether the Communists are faithfully abiding by the armistice terms and are negotiating in good faith to achieve a political settlement. They will point out that the United Nations embargo was imposed as an additional measure in support of our fighting forces to help them meet the aggression in Korea. When the fighting stops the purpose of the embargo will, in their view, have been accomplished. The United States Delegation should resist such pressure if it is applied by other delegations. The Delegation should stress that, for the reasons indicated above, hasty action to suspend or abrogate the embargo would be most ill-advised and that this Government feels strongly that no such action should be taken for the time being—certainly not during the time that the Sixth Session of the General Assembly will be sitting in Paris.

Among other arguments, the Delegation may wish to point out that obvious avoidance of haste in suspending the embargo would be an elementary precaution against the possible use of an armistice by the Communists as a *ruse de guerre*.

The Delegation may also wish to point out to the French Delegation, either to combat possible pressure from the French for the premature elimination of the embargo or in an attempt to persuade the French to advocate our view in discussions with the British and others, that so long as the Chinese Communists continue to menace the Indo-Chinese states it would be to the French interest for the United Nations embargo to continue to limit supplies contributing to the Chinese Communist war potential—granting that the existing embargo could not reasonably be continued after the aggression in Korea has ended.

If, despite the Delegation's arguments, heavy pressure to lift the embargo during the Sixth Session in Paris develops, the Delegation should consult the Department. For the Delegation's information, it is recognized that it may become necessary to compromise with the British, French and others as to the timing and mode of removal of the embargo if the alternative is a sharp split with our allies. If a compromise becomes unavoidable, this Government would undoubtedly feel strongly that the embargo should be suspended rather than abolished in order to maintain the threat of reimposition if hostilities are renewed and because it would be politically easier to reimpose a suspended embargo than to recreate an abrogated one.

The embargo should not be allowed to peter out through a series of defections, but should be suspended or abrogated, as the case may be, by the General Assembly, acting on the advice of the Additional Measures Committee in accordance with operative paragraph 2(*a*) of the resolution of May 18, 1951. A petering out of the embargo without United Nations action would seriously undermine the prestige of the United Nations.

B. *If an ambiguous situation respecting the possibility of an armistice in Korea continues.*

In these circumstances, the United States Delegation at the outset of the Sixth Session should begin privately to enlist support among other delegations for the adoption of ancillary measures to make the present embargo more effective. The justification for taking no action which might jeopardize the chances of peace, however valid last summer, is becoming weaker daily as the armistice negotiations drag on.

The weaknesses of the present embargo are due partly to the omission of certain ancillary controls from the May 18 resolution: and partly to the noncooperation of certain states—particularly those of the Soviet bloc. In other words, certain states (e.g., the United Kingdom) accepted the strict letter of the resolution and have been complying with its terms, so far as those terms go. On the other hand, certain other states (e.g., the Soviet Union and its satellites) never accepted the May 18 resolution and are seeking to frustrate its purpose.

With respect to the first category, for example, various cooperating countries having important merchant marines (such as the United Kingdom) are free to permit, and do permit, vessels of their flag to carry embargoed goods from non-cooperating countries to Communist China or North Korea. The resolution did not explicity proscribe the transshipment or re-export of strategic goods to Communist China and North Korea. The resolution made no provision against the supplying of bunkers to vessels carrying strategic goods to Communist China or North Korea; this has proved to be a matter of concern in connection with Polish and other vessels seeking bunkers on their way to Communist China with strategic materials. Any country is free to allow companies or persons subject to its jurisdiction to insure or reinsure vessels or cargoes involved in strategic trade with Communist China or North Korea; the availability of British insurance facilities is particularly helpful to this trade. For the types of measures which might be urged in this contingency, see Annex 3.

The second category consists of states which have not accepted the resolution and are not cooperating in the embargo. The non-Soviet bloc states in this category (e.g., Portugal, Ceylon) may yet, perhaps, be persuaded to cooperate and should again be urged to do so. Obviously, however, the European Soviet bloc itself represents the most serious gap in the embargo. Not only do the European Soviet bloc countries supply Communist China and North Korea from their own production, but they are in a position to transship or reexport to Communist China and North Korea imports of strategic items from the free world. Furthermore, they are in a position to supply important services, such as shipping, to help defeat the purpose of the embargo. As a practical matter, there is no way to compel Soviet bloc cooperation and very few economic measures to hamper Soviet bloc economic assistance to Communist China and North Korea lie at hand. It is possible, however, for all free world countries to deny bunkering, port, and insurance facilities to Soviet bloc (and any other) vessels carrying strategic goods to Communist China and North Korea.

The effectiveness of the UN embargo could be immeasurably increased if sanctions identical to those applied or proposed for application against Communist China and North Korea were also applied against non-cooperating States. Realistically, however, on the basis of considerable recent experience the US must recognize that there will be little or no support for extending the embargo and ancillary controls to operate against the Soviet bloc in Europe and against other non-cooperating states. Annex 3 has been drawn accordingly.

The United States Delegation, in its conversations with other delegations, should stress the point that these ancillary measures do not represent an irresponsible, bellicose broadening of the United Nations selective embargo, but rather that they are necessary to enable the existing embargo to attain the clear objective of the May 18 resolution—the denial of stipulated categories of goods to the United Nations' enemies so long as the aggression continues. The United States Delegation should not seek the addition of new categories of goods to the United Nations embargo. If, however, contrary to expectation, other delegations indicate in exploratory conversations that they would be prepared to support additional categories, or ancillary measures beyond those suggested here, the United States Delegation should propose more extensive measures. This possibility does not preclude bilateral or multilateral discussions outside the UN forum of economic controls related to the UN embargo.

It is not believed desirable without a definite breakdown of armistice negotiations or without the resumption of full scale hostilities in Korea to endeavor to enlist support for a total United Nations embargo. The likelihood of the acceptance of a total embargo by major friendly nations in these circumstances is so remote as to make any effort to gain widespread support for it unrealistic. The degree of United States pressure that would be required and the amount of ill-will that would be engendered in a serious effort to bring about sufficient free-world acquiescence would involve the risk of a split in the free world and would overbalance the advantages of a total United Nations embargo at this time.

In connection with recommendation B.-2 the United States has in mind, for example, the possibility that Panamanian shipping controls, which constitute an outright prohibition of the transit of Panamanian flag vessels to Communist China and North Korean ports, will be rendered ineffective by the transfer of registry of vessels now under the flag of Panama to the registry of other nations which apply a selective and less rigorous embargo. We also have in mind the fact that the failure of other nations to cooperate in support of the Panamanian action would not only render the Panamanian decree ineffective, but would also cause considerable financial loss to the Government of Panama as a result of its effort to take effective measures in line with the May 18 resolution. The sweeping Panamanian controls, which admittedly go beyond the recommendations of the May 18 resolution but which are consistent with those of the United States, were adopted by Panama as they offered the only possibility of being effective, since the Panamanian flag vessels are almost exclusively owned by other than Panamanian interests, and since they rarely—if ever—come within the jurisdiction of the Government of Panama. Accordingly, states should be urged to support Panama's action by declining to register under their flags any Panamanian vessel which seeks to transfer its registry after it has been cancelled by Panama because of violation of Panamanian controls; while under threat of cancellation for intent to violate Panamanian controls; or when such transfer is apparently sought as a means of evading those controls. The same principle should apply to the vessels of other cooperating countries.

The broad principle of cooperation set forth in Recommendation

B.–2 is not, of course, confined to the re-registering of vessels. It applies generally to a variety of controls applied by states to further the objectives of the May 18 resolution, even where any particular national control measure goes further than the action taken by others in that particular respect.

As to United Nations procedure if the United States Delegation in conversations with friendly delegations is able to lay the groundwork for favorable United Nations action, it is contemplated that the Additional Measures Committee would meet at Paris during the Sixth General Assembly and would report to the Sixth General Assembly in accordance with operative paragraph 2(*a*) of the General Assembly resolution of May 18, 1951, transmitting an Additional Measures Committee resolution which among other things would recommend that *every state* (not United Nations Members only) take action specified therein. The General Assembly would refer the Additional Measures Committee's report (and resolution) to the First Committee, after which the usual procedure would be followed.

The British have raised the question whether the Additional Measures Committee will continue to exist after the Fifth Session of the General Assembly ends. The argument has been put forward informally that the Additional Measures Committee as a *committee* rather than a *commission* ceases to exist at the end of the General Assembly session in which it was created. The United States position is that as no time limit was set when the Additional Measures Committee was created it continues indefinitely, until it is abolished by the General Assembly (which should not be done until the aggression in Korea has ended).

It is possible that the British, French, and others will be willing to adopt some or all of these ancillary controls by individual, unpublicized action but not in the United Nations. In this event, the United States might do well to agree to private extra-United Nations discussions leading to the unpublicized adoption of ancillary controls by the principal non-Soviet states and by the main maritime states. This method is less desirable than United Nations action, since economic controls secretly adopted and applied do nothing to mobilize free world psychological forces, and there is no effective defense against public criticism for not taking action which has in fact been taken. The US Delegation should not suggest taking the unpublicized course of action and should leave agreement on it to be reached elsewhere if circumstances lead to its consideration.

C. *If the armistice negotiations are definitely broken off or if full scale hostilities are resumed.*

It should be noted that this provides for what are, in a sense, two separate contingencies. It is possible that neither side will accept the onus of breaking off negotiations. For this reason, it is necessary to provide for the possible resumption of full scale hostilities without the breaking off of armistice negotiations. Recommendation C is applicable if either the Communists or the United Nations forces launch a general offensive.

The United States has long since applied the measures which the United Nations should be asked to adopt in these circumstances. The United States action has not had the effect of spreading the conflict, and there is no good reason to suppose that similar economic measures adopted by others would have that undesired effect.

Recommendation C calls for a total United Nations embargo and for a complete range of ancillary measures. The difference between Recommendations B and C is that C calls for a total embargo whereas B calls only for the continuance of the present highly selective embargo. Under both B and C, the United States should seek the fullest possible list of ancillary measures (shipping controls, etc.) except that assets controls are omitted from B as being too much to ask of the British, French, and others under B conditions in Korea.

Under "C" conditions in Korea (the determination of which would be made in Washington), the United States Government will need to determine (*a*) whether, in the light of self-interest, any exceptions should be recommended by the Additional Measures Committee in order to permit the importation by the United States and its allies of critical items from Communist China, or for any other specific reason, and (*b*) what measures should be recommended by the Additional Measures Committee in order to maximize the effectiveness of the total or near-total embargo. This paper does not contain such determinations as they will need to be made in the light of all the circumstances prevailing at the time "C" conditions are deemed to have commenced. The report of the Collective Measures Committee provides a useful guide in this connection.

A United Nations total embargo, with complete ancillary measures, would amount to an economic counterpart of full scale military measures in Korea. In view of the enormous sacrifices, both human and economic, being made by the United States in Korea, and in view of the patient efforts made by the United Nations Command to bring about an armistice, it would be entirely reasonable for the United States to press the British, French, and others to accept the further economic losses which would result from their application of a total embargo.

If a total embargo is unacceptable to a majority of United Nations Members, including our key allies, the United States Delegation should seek to have as many additional categories of items as possible added to the five categories presently embargoed under the May 18 resolution. The United States Delegation, after consulting the Department, should support the most extensive list of additional categories and ancillary measures which will receive wide support in the General Assembly.

As to (1) UN procedure and (2) the possibility that others may propose the extension of the embargo without General Assembly action and without publicity, see the discussion of these points under "B" above.

See Annex 4 for a list of the measures which might be considered.

Annexes 1, 2, 3, and 4 referred to above have been omitted from this copy. They are a part of U.N. General Assembly document SD/A/C.1/376.[2]

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[2] Not printed.

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S/S Files: Lot 59 D 95

## *Department of State Position Paper*[1]

SECRET [WASHINGTON,] November 1, 1951.

NOV D–4/1b

### ADDITIONAL ECONOMIC MEASURES AGAINST COMMUNIST CHINA AND NORTH KOREA

#### PROBLEM

To acquaint the British Foreign Secretary with the proposals regarding additional economic measures against Communist China and North Korea which the United States Delegation is to bring forward at the Sixth Session of the General Assembly; and to enlist British support and advocacy of these proposals and to persuade the U.K. Government to adopt additional controls over the carriage of goods to Communist China or North Korea, without waiting for formal United Nations action.

#### U.S. OBJECTIVES

To obtain broad agreement to the application of economic measures which will have a maximum adverse effect upon the war potential of Communist China and North Korea as long as their aggression continues.

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[1] Prepared as a United States negotiating paper for the meetings of the Foreign Ministers of the United States, the United Kingdom, and France held in Paris and Rome, November 2–30. A covering memorandum by Mr. George Denney indicated that this paper was based on NOV D–4b, October 30 (see footnote 1 *supra*); that it was drafted by Walter S. Anderson, Jr. of the Bureau of United Nations Affairs; and that it was approved at the working level in the Departments of State and Defense.

### PROBABLE POSITIONS OF OTHER COUNTRIES

1. *If an armistice in Korea materializes*, the British, French, and others may be expected promptly to urge the immediate suspension or revocation of the United Nations strategic embargo.

2. *If an ambiguous situation respecting the possibility of an armistice in Korea continues*, the British, French, and others will probably generate no proposals of their own respecting U.N. action and will probably oppose, mainly on the ground that such a step would be prejudicial to the armistice negotiations, U.S. proposals that the Additional Measures Committee and the General Assembly recommend certain ancillary measures designed to make the existing selective embargo more effective.

The British, French, and others may propose the adoption of certain additional economic measures by unpublicized action outside the United Nations. In fact, the British have just manifested a willingness to discuss in COCOM ancillary measures short of a shipping ban on Communist China; and this indicates that the British Government may now be more receptive to U.S. proposals than had been anticipated previously.

3. *If the armistice negotiations definitely break down or if full scale hostilities are resumed*, the British, French, and others may suggest that a few additional categories of goods be added to the five categories presently embargoed, and they may favor *some* additional ancillary measures in connection with shipping, chartering, transshipment, and re-export. They would probably oppose the idea of an unconditional shipping ban and severe financial controls such as fund freezing.

The British, French, and others may propose the adoption of certain additional economic measures by unpublicized action outside the United Nations.

### POSITION TO BE PRESENTED

1. If there is an armistice, the existing embargo should be continued in full force for the time being, certainly as long as the Sixth General Assembly session continues in Paris, pending clarification of the Korean situation.

2. If an ambiguous situation respecting the possibility of an armistice continues into the Sixth Session of the Assembly, we should press for UN action to tighten the existing embargo through such measures as cargo and selective shipping controls. We should emphasize our hope that the U.K. would take additional measures of this character without awaiting U.N. action.

3. If armistice negotiations definitely break down or there is full-scale resumption of hostilities, we contemplate asking for a total

United Nations embargo, supported by ancillary measures, but the U.S. Delegation in Paris is being instructed to say, for the present, in any discussions of the economic aspects of this contingency, unless otherwise instructed, only that still more severe economic measures would be needed.

### DISCUSSION

*If there is an armistice*, the interests of the U.S. and the free world will continue to require economic controls against Communist China as long as it remains a serious military threat to the free world. Certainly the situation in Korea will remain uncertain for the duration of the Sixth Session of the General Assembly in Paris and there should be no relaxation of the embargo at this Session. If the British and others urge the prompt removal of the embargo, we might stress, *inter alia*, that (1) so long as the Chinese Communists maintain their forces in Korea they may still be considered technically aggressors, (2) United Nations forces may have to stay in Korea after an armistice so long as the Chinese Communists maintain an aggressive posture, and nothing should be done to assist the Chinese Communists to renew the hostilities, (3) the ability of the Chinese Communists to menace the Indo-Chinese states would be enhanced by the lifting of the United Nations embargo. Whatever happens to the United Nations embargo, however, the United States and others may and should maintain or institute unilateral or multilateral controls (e.g., COCOM) against Communist China as against the entire Soviet Bloc. If the United States Delegation encounters heavy pressure by others for the lifting of the embargo, it is to consult the Department. If the United States Government is obliged to compromise to avoid a sharp split because of such pressure it will doubtless seek agreement to hold the embargo in abeyance rather than the revocation of the embargo.

*If an ambiguous situation respecting the possibility of an armistice in Korea continues*, the U.S. Delegation to the UN General Assembly would commence *at the outset* of the Sixth Session privately to try to enlist support for additional ancillary measures to strengthen the existing embargo, but it should not seek the embargoing of new categories of goods unless substantial support for this is found to exist. These ancillary measures include controls relating to the carriage of embargoed goods, transshipment and re-export, sale or chartering of vessels and aircraft, and bunkering, port and insurance facilities.

Our effort to obtain U.K. action along the lines of the position stated above should proceed from the fact that the UN General Assembly Resolution of May 18, 1951 was adopted largely because U.S., U.K., and other COCOM countries had already put in effect the recommended action; actual subscription to tighter controls by the U.K. prior to formal UN General Assembly action would contribute to their success. Various additional measures respecting shipping are now under discussion with the British.

*If the armistice negotiations are definitely broken off or if full-scale hostilities are resumed:* The determination that this situation exists would be made in Washington. Our proposals for UN action, if the Korean situation takes such a turn, approximate the U.S.'s present controls against Communist China and North Korea. The U.S. Government would need to determine whether, in the light of self-interest, any exceptions to a total embargo should be recommended in order to permit the U.S. and its allies to import critical items from Communist China.

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893.00/11–151 : Telegram

### *The Consul General at Hong Kong (McConaughy) to the Secretary of State*

SECRET HONG KONG, November 1, 1951—9 p. m. and 11 p. m.
PRIORITY

1612. Deptel 1754, Oct 26.

1. Fol introduction US Dec 3 [1950] controls, Hong Kong's export trade with Chi declined from Hong Kong dols 234.8 millions in Jan to Hong Kong dols 141.3 millions in June (40 percent drop). Hong Kong export controls introduced June 25 caused drop to Hong Kong dols 88.8 millions in Sept (drop 62 percent since Jan). Hong Kong export to Macao (of which over 90 percent re-exported Chi) decreased from Hong Kong dols 28.2 millions in Jan to 20.5 millions in Sept (drop 27 percent). No tonnage figs available. US FEC agree controls denied Chi US material with exception items smuggled from Hong Kong and Macao (at very high cost) and small amounts diverted via Europe and India. Too soon to evaluate effects Hong Kong June 25 controls on Chi, especially as Commies obtained considerable supplies essential items in and through Hong Kong during winter and spring 1951 perhaps for stockpiling. Commie purchasing agencies Hong Kong and elsewhere endeavored develop alternative sources, especially for steel and other materials, chemicals, scientific instruments, pharmaceuticals etc, with some initial success, but known current operations are confined to direct shipments from Sov bloc countries through Gdynia, rubber from Ceylon, raw cotton from Pak. Commies now hope further develop route Port to Macao for items collected in Europe. Several successful shipments already accomplished.

2. Chi seemingly rapidly adjusted itself to anticipated all-out US controls and subsequent less severe UN controls. Accurate info difficult obtain but consensus no especially adverse effect as yet developed China's urban economy. Need to maintain its part Korean war effort has perhaps imposed greater strain. There have been many instances of planned industrial expansion having to be postponed for lack of materials which may or may not have come from the west, but also there are many reports of claimed successes in mfg items hitherto imported from the US or UK. Reports from travelers describe increased service and efficiency of many utilities, some of which depended very largely on imported machinery; spareparts, fuel and other items. One never reads in Chi mainland press of any hardship resulting from China's inability to obtain imported items. On contrary, press delights in describing how shortages of certain items have stimulated local inventive genius to design comparable substitutes. There is no indication, of course, of the adequacy of substitution. Interchange of goods between areas in Chi said to be another means designed to meet shortages as well as to publicize and encourage trade in each province's products.

Effect on administration has been to cause it to promote patriotic drive by one means or another to encourage people work harder, contribute more, accept personal sacrifices, and exploit resources to make China's economy more self-sufficient. Controls have also served strengthen economic ties with Sov and Eastern Europe. Also important is abundant evidence Commies expect obtain further relief by trade with Japan, with latter justifying expansion on grounds natural trade ties.

Reports are Commies dissatisfied with trade relations with Sov and satellites because of excessive cost of items, slow deliveries, and gen inferior quality.

3. As far as can be ascertained rural economy said to be the least affected by controls. Chemical fertilizers, burlap and gunnybags, small hand tools are permitted export to Chi. Where farm machinery came from the west, slack is reported to be taken up by imports from Russia, Czecho and by increased local manufactures. There appears to have been no interference with sowing and harvesting of crops by cutting off of any farmers supplies.

4. Fol from US mil liaison off. Impossible provide any specific info ways in which trade restrictions affected mil operations Korea, because lack info here on Chi Commie mil operations Korea. In any case, it can be assumed any shortage actual munitions or implements of war cld not be ascribed to trade restrictions, since they were unavailable from western countries even before the UN acted to restrict trade.

Shortages in these lines can only be ascribed to inability of Chi produce them themselves or failure of Soviets provide them in sufficient quantity.

There is evidence that arsenals may be running short of materials. A C-2 report last week stated Kwangtung arsenals placed on shortened working week due shortages supply.

Aside from munitions, fields in which Chi Commies probably most vulnerable are transport and communications equipment.

Their urgent need trucks obvious from heavy demand for cars Hong Kong, the cannibalizing old trucks and searching junkyards for spare parts which is carried on intensively Chi. There is however, no indication whether the mil have, as yet, been hampered by lack of transport. Need for electronic supplies graphically demonstrated by lengths people go smuggle few radio tubes out Hong Kong. With respect trucks recent report on equipping Chi armored force by Russians stated Chi given mixture Russ and US trucks, (the latter presumably lend-lease).

May be assumed civilian economy will be compelled absorb fullest possible extent impact any shortage supplies needed mil operations Korea.

5. Effects on commodities. Rubber—Chi recd so much rubber from Malaya for its own use and for re-export to Russ before restrictions were seriously imposed that adequate supplies have been available to meet mfg programs. Exports of rubber from Ceylon to Canton, if continued, supplemented by small quantities available from Hainan and smuggled cargoes from Indonesia will permit some rubber manufactures to continue. Unless synthetic rubber is manufactured or becomes available from satellite countries, the country's plans for making motor tires will probably bog down. Shanghai and Canton rubber shoe factories, important to outfit troops in Korea, will undoubtedly receive major allocation of available rubber.

Cotton—termination of UK exports of raw cotton to Chi resulted in large orders being placed in Pak. Most of these deliveries have been made, at high costs; but they have been essential to continue China's weaving and spinning industries after 6 weeks suspension due disappointing 1950 local cotton crop. If Pak and Russia are able continue to deliver cotton to Chi, country's basic needs of textiles can be provided. China's short supply of certain textiles such as sheetings and shirtings has been partially relieved by recent shipments from Japan direct and through Hong Kong.

Petroleum—effect of restrictions on petroleum exports into Chi were serious shortages and rationing throughout the country. The Commies gave this item top priority and instructed agents to develop sources regardless of cost. Macao has appeared large in this trade, resulting in many thousands of drums of lubricating oil, gasoline and kerosene reaching Canton. However, recent reports show Russ tankers arriving Dairen with gasoline and that civilian allowances appear once again adequate at least in coastal cities. Lubricating oil remains very tight everywhere, while kerosene is priced out of reach of the average user.

Steel—steel reported to be increasingly short despite effort stimulate production Manchuria. Commies acquired very large tonnages in and through Hong Kong before June 25 and have endeavored to develop shipments from Poland. Steel rails, structural steel, tin plate, high-speed steel are items urgent and constant need.

Transportation—Commies have buying orders out for 25,000 trucks of three one-half–five-ton types with little likelihood of receiving more than 500 from Czechoslovakia via sea route and possibly another 500 from US [*USSR*] by rail. Chi interior said be short most types trucks, but essential transportation appears be cared for in main centers. Russ trucks seen in several areas. Tires and auto parts in critical short supply despite huge shipments from Hong Kong before June 25 controls. Shipping controls—obvious that lack tonnage to lift cargoes from areas still prepared to trade with Chi seriously retarding deliveries. Commies bank heavily on the use of (registered) vessels, but Panama's recent restrictions (decree 631) likely interfere. Polish, Pak, Port, Greek and occasional Italian steamers are delivering cargoes. Brit vessels cater for most of the trade between Hong Kong and Chi, with occasional deep-sea Brit ship bringing Brit and European cargo directly Whampoa.

Overseas exchange—US foreign assets control regs of Treas appear have increasing adverse effect on China's foreign exchange notwithstanding relative ease of fund remittance through medium Hong Kong dol. US restrictions are import of goods of Chi origin, freezing dol accts held by residents of Chi, and prohibition remittances from US. Chi have cut off possibly 80 percent Chi normal supply US dols and about 30 percent China's overall supply foreign exchange.

Some specific pressures on econ and polit systems possibly aggravated by US and UN controls are:

(*a*) Inflationary pressure from rising prices and revived black-market dealings US dols which forced auths introduce unpopular heavier taxes and funds—drive for armaments;

(*b*) Tendency for govt take over more econ functions—latest example notification merchants Canton Shanghai, govt will "nationalize" 18 lines next three years including import/export houses;

(*c*) Greater interference private businesses. Latter not done by direct police power but by creating atmosphere of fear through campaign against counter-revolutionaries to point where businessmen consider it unwise oppose too strongly any new govt suggestions. Govt's gradual encroachment on private banks done by making it evident banks in which govt does not participate have operating difficulties and by impressing on bank officials unwise refuse govt request take over portion assets and bank direction.

This inclination to attempt solution of econ problems by continual extension area of govt control and operation means steadily growing bureaucracy and probable decrease in efficiency of production and distribution due no lack of experienced administrators.

In conclusion, since Chi able import almost unrestrictedly until US imposed controls Dec 3, and as substantial quantities many strategic items obtained up to time nations applied UN controls, conceivable stockpiles have acted so far as buffer against effects of cumulative controls. While no info available as to condition stockpiles of frequently used essentials, believe next six months will show full effects controls unless exporting countries not cooperating UN can supply adequate replacements.

Further details will be airpouched Nov 6.[3]

McConaughy

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[3] Further details were contained in despatch 885, November 7, from Hong Kong, not printed (893.00/11-751).

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493.46G9/11-351 : Telegram

## *The Consul General at Hong Kong (McConaughy) to the Secretary of State*

TOP SECRET Hong Kong, November 3, 1951—2 p. m.

1634. If US-type controls were adopted and strictly enforced by all UN members outside Sov bloc Chi Commies wld be squeezed much harder than they are today. Elimination of UN shipping wld leave them access only to negligible amt of tonnage Commie bloc can provide. Wld not only put an end to shipments such as Pakistan cotton, Ceylon rubber, Eur drugs but also wld eliminate much of smuggling now going on through Macau. It wld probably not have any early effect on the ability of the Chi Commies to wage war in Korea on present scale since USSR wld undoubtedly make strong effort to fill gap. However it wld represent a steady heavy drain on USSR production and transport and hamper war preparations of the USSR and her satellites. Chi urban econ wld feel the strain considerably more than it does today and this wld increase dissatisfaction with the Korean war and the lean-to-one-side policy.

Of course the adoption of US-type controls by Hong Kong wld be a death-blow to the colony unless alternative sources of food were provided.

McConaughy

493.53E9/11-1351

*The Ambassador in Portugal (MacVeagh) to the Secretary of State*

SECRET LISBON, November 13, 1951.

No. 350

Ref: Hong Kong Consulate's despatch No. 2018 of June 24, 1951, and pgh. 2 of encl. to Embassy despatch No. 322 of October 30, 1951.[1]

Subject: Reflections on Petroleum Smuggling through Macau

Reports of personal investigation by our Consul General in Hong Kong which have come to my attention prove in very thorough fashion that there is constant passage of petroleum products into Communist China through Macau. They do not seem to show that the quantities involved are so substantial as to make Macau "an important source" of petroleum products for a vast territory like Communist China, but they amply establish the fact that the controls supposed to be exercised by the Macau authorities are being less honored in the observance than the breach.

In considering this undesirable traffic, one may wonder why it should cause surprise. It should be borne in mind that Macau, a tiny peninsula off the Chinese coast, is almost wholly at the mercy of the neighboring mainland as regards the essential requirements of water and food. Between pressure from the Chinese to obtain greater supplies of petroleum products and pressure from the Western Powers for a strict application of controls, the Macau authorities are, in these circumstances, literally between the Devil and the Deep Sea. This uncomfortable situation, rather than "bad faith", seems the more likely reason for the tergiversations of the authorities (of which the Consul General has complained) in first denying, then attempting to explain, and finally hopelessly admitting the existence of the traffic in question. There are also the further facts that smuggling, to a greater or less degree, is always a factor in the life of a border territory like Macau, and that "corruption" in this connection is an invariable, and so far as all human history goes, ineradicable concomitant of existence in such places.

Accordingly, realism would seem to require that anything like perfect performance in the local control of this traffic should not be expected. One may remember our own experience with the liquor traffic in prohibition days. It should also be taken for granted that little if any remedial action of an effective nature can result from protests directed to the far-distant Portuguese Government in Lisbon, despite the expressed desire of that Government to "cooperate". As the Consul General has pointed out, even a drastic shake-up of the responsible colonial personnel, which might be dictated from Lisbon, could not be counted on to eradicate local practices created by opportunity and connived at by custom. The only sure way to exert control on what goes out of Macau would seem to be to control what goes in.

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[1] Neither printed.

In this connection, the Consul General has stated that "evidence of bad faith" on the part of the Macau authorities is so strong as to call for the immediate suspension of all permits to export goods from the United States to Macau with the exception of those cases "explicitly endorsed" by the American Consulate General in Hong Kong, and that "similar action might appropriately be taken in the case of exports to Macau from Japan and Western Germany." If properly calculated so as to permit of supplying only the minimum petroleum needs of Macau itself, such a measure would undoubtedly constitute a remedy of some promise, though, in the interests of good relations with Lisbon, it should not be applied explicitly on the basis of "bad faith", but rather as a cooperative measure owing to the inability of the colonial authorities, under unusually difficult circumstances, to exert normal controls effectively. Furthermore, it should also be realized that any such suspension, if made without adequate control of surreptitious exports from Hong Kong and other sources, could be only partially effective. In this connection, the Consul General has suggested that attention be given to the "corrupt customs service" of Hong Kong and the possibility of using naval patrols, and these suggestions appear decidedly constructive.

In sum, it would seem that a more drastic control of legal importation of petroleum products into Macau, coupled with efficient prevention of illegal shipments reaching the colony's ever-active and irrepressible smugglers, would seem the most likely way to minimize the relatively small but persistent flow of these products now passing through there to the Chinese communists. Furthermore, this could be done without risk to our relations with the Portuguese Government if our actions were based squarely on the cooperative basis of providing aid to the Macau authorities in implementing a common policy. And finally, the fact that such action was initiated by us would relieve the Portuguese colony of any onus of blame in the eyes of their mainland neighbors, and thus remove the fear of reprisals which is one of the principal factors standing in the way of more efficient local control.

LINCOLN MACVEAGH

493.119/11–2151

### *The Acting Secretary of Defense (Foster) to the Secretary of State*

SECRET [WASHINGTON,] November 21, 1951.

DEAR MR. SECRETARY: With respect to the Department of State draft position paper entitled "Additional Economic Measures Against Communist China and North Korea" (NOV D–4b, dated 31 [*30*] October 1951), the Department of Defense has several comments and recommendations to submit to the Department of State for the formulation of a final position paper on this subject.

There is convincing evidence available in this Department to indicate that a substantial volume of strategic materials and munitions continues to enter Communist China from the Western nations. The Department of Defense considers that such deliveries must be stopped. In this light, the draft position paper appears to be too cautious. It is the opinion of the Department of Defense that the US Delegation should be instructed to seek much more extensive economic measures against the Communists than are now called for. It should vigorously explore the possibility of adding to the present embargo list and pressing for stricter enforcement of the existing or amended embargo. The Department of Defense would particularly like to emphasize that inasmuch as the aggression in Korea will not have ceased until a political settlement is reached, economic measures against Communist China and North Korea should continue in full force until that time.

To carry out the intent of these views in part, the Department of Defense would recommend the following specific deletions: (1) the last sentence in the paragraph at the top of page 4[1] since it would appear to be an overstatement of the situation, (2) the second sentence in the last paragraph on page 4*b*,[2] and (3) the second sentence in the first paragraph on page 7.[3]

For your information and consideration, I am including the following comments of the Joint Chiefs of Staff on this draft position paper:

"From a realistic point of view, the fighting between the forces of Communist China (satellite of the USSR) and of the United States (including forces of the other Western nations engaged in Korea) is tantamount to war, with the scene of action confined to the area of Korea. There is no assurance that the fighting will remain localized. Additionally, among the Western nations the United States is now the dominant power in the Western Pacific. Consequently, in any conflict of interest arising between the United States and other Western Powers which may affect the position of the United States in the Far East, the United States should in its own interest insist that United States security considerations in that area be overriding. In this connection, United States actions with reference to the trade of the Western World with Communist China should be guided by the realities of the need of the United States to win the war in Korea. Accordingly, the Joint Chiefs of Staff consider that the instructions to the United States Delegation should be stiffened to reflect the concern of the United States over the situation with respect to Communist China trade.

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[1] This sentence read as follows: "In general, it may be said that the embargo has had an appreciable economic and psychological impact upon the aggressors."

[2] This sentence read as follows: "For the delegation's information, it is recognized that it may become necessary to compromise with the British, French and others as to the timing and mode of removal of the embargo if the alternative is a sharp split with our allies."

[3] This sentence read as follows: "The United States Delegation should not seek the addition of new categories of goods to the United Nations embargo."

"The Joint Chiefs of Staff have recommended that steps be taken by the United States to obtain agreement among the sixteen nations participating in the action in Korea to the imposition by the United Nations Command of a naval blockade of the entire coast of China, all in the event of a breakdown of the current armistice negotiations. Accordingly, the Joint Chiefs of Staff consider that the instructions to the United States Delegation covering such an eventuality should be greatly stiffened and that the Delegation should demand that a total trade embargo be imposed immediately. In this connection, the Joint Chiefs of Staff consider that the United States should also call for, through such channels as may be deemed appropriate, agreement by at least a majority of the sixteen nations to a naval blockade.

"The Joint Chiefs of Staff recommend that action be taken by the United States Delegation to insure the imposition by other nations at this time of restrictions on trade with Communist China equal in severity to those now imposed by the United States. This action should be taken either in the United Nations or in extra-United Nations arrangements to assure that the spirit as well as the letter of the restrictions is carried out. This applies especially to those cooperating countries having important merchant marines, particularly the United Kingdom. The restrictions should be imposed until a political settlement in Korea has been reached.

"With reference to the foregoing, and with specific reference to the section of the paper entitled "Recommendations", the Joint Chiefs of Staff are of the opinion that the aggression in Korea will not have ceased until a political settlement is reached.

"Subject to incorporation of the foregoing views in the basic paper, the Joint Chiefs of Staff have no objection to those portions of the subject paper having military implications."

Representatives of the Department of Defense are in Paris to assist in the revision of this draft position paper. The Department of Defense would appreciate being informed by the Department of State of such revision.

Sincerely yours, WILLIAM C. FOSTER

## *Editorial Note*

For the text of NSC 118/2, December 20, entitled "U.S. Objectives and Courses of Action in Korea", which contains a short discussion of economic measures relating to mainland China, see page 1382.

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**S/S Files : Lot 63 D 351 : NSC 104 Series**

### *Memorandum by the Under Secretary of State (Webb) to the Executive Secretary of the National Security Council (Lay)*[1]

**[Extracts]**[2]

SECRET [WASHINGTON,] December 26, 1951.

Subject: Third Progress Report on NSC 104/2, "U.S. Policies and Programs in the Economic Field Which May Affect the War Potential of the Soviet Bloc"

NSC 104/2 was approved as Governmental policy on April 12, 1951. It is requested that this Progress Report (covering the quarter ended November 15, 1951) be circulated to the members of their Council for their information.

*Export Controls*

1. *Prohibition of all Exports to Communist China, Manchuria and North Korea*

No change. With the exception of a few publications authorized for exportation to all destinations except North Korea, all exports from the United States to Communist China, Manchuria and North Korea continue to be embargoed. (See paragraph 18.)

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9. *International Controls Respecting Trade with Communist China and North Korea*

There have been no meetings of the United Nations Additional Measures Committee since the General Assembly adopted the strategic embargo Resolution of May 18, 1951.

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[1] In NSC Action No. 602, taken by the National Security Council at its 111th meeting, January 16, 1952, with President Truman presiding, the Council noted this progress report. The Secretary of Commerce participated in this Action with the Council, the Secretary of the Treasury and the Director of Defense Mobilization. (S/S Files: Lot 62 D 1: NSC Actions)

[2] Extracted here are only those portions of the report relating to China and North Korea.

The United States position arrived at prior to the opening of the Sixth Session of the General Assembly is outlined as follows:

If there is an armistice in Korea, the existing embargo should be continued in full force for the time being, certainly as long as the Sixth Session continues in Paris, pending clarification of the Korean situation. If an ambiguous situation respecting the possibility of an armistice continues into the Sixth Session of the Assembly, we should press for UN action to tighten the existing embargo through such measures as cargo and selective shipping controls. Agreement was not reached within the United States Government as to our policy regarding the strategic embargo if the armistice negotiations definitely break down or there is a full-scale resumption of hostilities.

The United States has, with varying success, continued to approach individual countries to induce them to accept and apply fully the provisions of the May 18 resolution, including the institution of ancillary controls in the spirit of the Resolution. The subject of a China embargo list also is under discussion in COCOM on the basis of specific detailed proposals submitted by the United Kingdom.

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18. *Export Controls on Technology*

The Department of Commerce on September 6 issued a General License allowing export to Soviet bloc countries, except North Korea, of technical publications generally available to the public. This action revoked the mandatory control imposed on March 1, 1951 on the export of these publications to the bloc. The General License is an interim one pending further study in a subcommittee of the Interdepartmental Committee on Internal Security.

*Shipping* (Recommendations 19 and 20)

In the quarter ended November 15 the Coordinating Committee, after examining a sub-committee report on United States proposals for tightening existing shipping controls, agreed to hold a full discussion of all United States proposals, and to convene a meeting of maritime experts if this need is indicated. The discussions, scheduled to begin by the end of November, were to cover controls over sale of ships to Soviet bloc countries, ships' supplies, repairs, fittings, bareboat and long term chartering, and carriage of controlled items in participating countries' vessels.

The United States position in the United Nations Additional Measures Committee, if the present ambiguous situation respecting an armistice in Korea continues, will be to enlist support for cargo and selective shipping controls against Communist China.

The United States has approached the United Kingdom to develop a common restrictive bunkering policy in the Far East in order to hinder the movement of strategic goods to Communist China and to minimize the danger of petroleum supplies reaching that destination in the form of excess bunkers.

An approach has been made to Panama to secure the adoption of shipping controls affecting the Soviet bloc (in addition to Panama's present shipping controls respecting Communist China). Although Panama initially declined to institute such controls, negotiations are continuing on the basis of recent information concerning certain reported transfers of vessels from Panamanian registry. Bilateral approaches also have been made to the United Kingdom and Portugal to secure the cooperation of these countries in denying registration to vessels deprived of Panamanian registry for violation of the latter's Decree prohibiting calls at Chinese Communist ports.

. . . . . . .

*Import Controls*

24. Formal controls on imports from the Soviet bloc in order to minimize its dollar earnings have not proven necessary, except for imports from Communist China and North Korea which are effectively curtailed by the Foreign Assets Control Regulations of the Treasury Department.

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JAMES E. WEBB

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493.119/11-2151

*The Secretary of State to the Secretary of Defense* (*Lovett*)

SECRET WASHINGTON, December 29, 1951.

DEAR MR. SECRETARY: The Secretary has asked me to reply to the letter of November 21, 1951, from the Acting Secretary of Defense, proposing modifications in the position paper entitled *Additional Economic Measures Against Communist China and North Korea* (NOV D-4b, October 31 [*30*], 1951), which was worked out between representatives of the Departments of State and Defense.

I note in the letter a reference to convincing evidence indicating that "a substantial volume of strategic materials and munitions continues to enter Communist China from the Western nations". It would be very helpful to the Department of State if your Department could make this information available to it.

There has been recent agreement in the Coordinating Committee on international export controls (COCOM) to the British proposal for the addition of substantial categories of goods to the China embargo list. In view of this, there now appears to be a reasonable possibility, if an ambiguous situation respecting the possibility of an armistice in Korea continues (see Recommendation B of the abovementioned position paper), of action by the Additional Measures Committee and by the General Assembly more drastic than we considered last October could be brought about. I suggest, therefore, that a new Recommendation B.2 be added to the position paper, along the following lines: "B.2. The United States Delegation should vigorously explore with other delegations the possibility of adding new categories of goods to the five categories presently embargoed under the General Assembly resolution of May 18, 1951." Present Recommendations B.2 and B.3 would become B.3 and B.4, respectively.

This Department is agreeable to the deletion of the three sentences mentioned in the third paragraph of the Acting Secretary's letter, and it suggests the following consequential amendments:

Page 5, first paragraph under "B. *If an ambiguous . . .*", at the end of the first sentence change the period to a comma and add: "and to explore vigorously with other delegations the possibility of adding new categories of goods to those presently embargoed under the May 18 resolution."

Page 7, delete the first paragraph and substitute: "Bilateral or multilateral discussions outside the United Nations forum of economic controls related to the United Nations embargo are not precluded."

Page 8, first paragraph, in the first sentence, after the word "controls" insert "or the embargoing of additional categories of goods".

The Acting Secretary's letter refers to a recommendation by the Joint Chiefs of Staff "that action be taken by the United States Delegation to insure the imposition by other nations at this time of restrictions on trade with Communist China equal in severity to those now imposed by the United States. . . ." This Government has constantly sought such restrictions by other states, but has encountered strong resistance to the idea of taking steps as drastic as ours. The restrictions called for by the General Assembly's resolution of May 18, 1951, represented not the optimum from this Government's standpoint, but rather the most on which an adequate number of free-world states would agree. The present position paper reflects this policy, by stating as its first recommendation: "In general, the Delegation should seek to obtain broad agreement to the application of economic measures which will have a maximum adverse effect upon the war potential of Communist China and North Korea, so long as their aggression continues."

No action which our Delegation could take would "insure", as the Joint Chiefs of Staff recommend, the imposition by others of the type of trade restrictions which we ourselves have imposed. The instructions furnished to our Delegation do, however, call on it to take such steps as are calculated to persuade other states to move as far as possible toward our own position with respect to trade restrictions against Communist China and North Korea.

Regarding the comments on this position paper of the Joint Chiefs of Staff, quoted in your letter, concerning this Government's position with respect to economic measures against Communist China and North Korea in the event that armistice negotiations definitely break down or there is a full-scale resumption of hostilities, this question is now being determined by the National Security Council. Its determination will, of course, be reflected in any necessary amendments to the position paper. In this connection, I might point out that, owing to the objection of the Economic Cooperation Administration, Recommendation C of the position paper (and the corresponding section of the discussion) did not receive full inter-agency clearance and has not been furnished to the United States Delegation to the Sixth General Assembly for its guidance. Recommendations A and B, together with the corresponding discussion sections, however, were furnished to our Delegation for appropriate action.

Sincerely yours,

For the Secretary of State:
JOHN D. HICKERSON
*Assistant Secretary*

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Editor's Note: In the index and annotation of this volume, as well as in the documents, the spelling of Chinese names follows the Wade-Giles system of transliteration, according to contemporary usage.

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